

ANNEX VI

to Commission Implementing Decision on the financing of the annual action plan in favour of the Republic of North Macedonia for 2021

Action Document for “EU for Green Economy”**1. SYNOPSIS****1.1. Action Summary Table**

Title	Action 06 - EU for Green Economy			
	Annual Action Plan in favour of North Macedonia for 2021			
CRIS/OPSYS number	043-662/6			
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)			
Team Europe Initiative	No			
Zone benefiting from the action	The action shall be carried out in North Macedonia			
Programming document	IPA III Programming Framework			
PRIORITY AREAS AND SECTOR INFORMATION				
Window and thematic priority	Window 4: Competitiveness and inclusive growth Thematic priority: 2. Private sector development, trade, research and innovation			
Sustainable Development Goals (SDGs)	Main SDG 09 - Industry, Innovation and Infrastructure Other significant SDGs: <input type="checkbox"/> SDG 08 - Decent Work and Economic Growth <input type="checkbox"/> SDG 12 - Responsible Consumption and Production <input type="checkbox"/> SDG 13 - Climate Action			
DAC code(s)	32120 – Industrial development – 78% 31120 - Agricultural development – 6% 31140 - Agricultural water resources – 16%			
Main Delivery Channel¹	12000 - Recipient Government			
Markers	General objective	policy	Not targeted	Significant objective
				Principal objective

¹ <http://www.oecd.org/dac/stats/annex2.htm>.

(from CRIS DAC form)	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Internal markers	Policy objectives	Not targeted	Significant objective
	Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
Amounts concerned	Budget Line: 15.020201.02 Total estimated cost EUR 33 350 000.00 ² Total amount of EU budget contribution EUR 25 850 000.00			
MANAGEMENT AND IMPLEMENTATION				
Type of financing and method(s) of implementation	Project Modality Direct management through - Grants - Procurement			
Relevant priorities and flagships from Economic and	Priorities: "Green Agenda", "Digital Transition", "Innovation Agenda", "Private Sector Support"			

² This action is financed in joint co-financing by the grant beneficiaries for an amount of EUR 7 500 000

Investment Plan for the Western Balkans	Flagships: “VIII Digital Infrastructure”, “IX Support Competitiveness”
Final Date for conclusion of Financing Agreement	At the latest by 31 December 2022
Final date for concluding contribution / delegation agreements, procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
Indicative operational implementation period	72 months following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement

1.2. Summary of the Action

The Action will promote the sustainable economic development of North Macedonia. The EU funds will be channelled to greening, recovering and modernising the economy through establishing the “Greening Business” Facility and enhancing the cooperation and position of farmers in the supply chain. The Action proposes financing and advisory mix, and will also invest in strengthening the capacities of the administration, business and associations of business and farmers. It is also expected that the EU investments will mobilise additional private investments of EUR 8 to 20 million.

The Action will channel EU funds to the private sector in support of the greening of the economy and enhancing the circular economy. At least 300 companies of North Macedonia will be stimulated to innovate in a sustainable way, grow and create jobs in green businesses. The Action will allow over 180 companies to introduce quality and sustainability standards and to integrate in the EU and regional value chains.

EU funds will also enhance the competitiveness of the agricultural sector in line with the revised Common Agricultural Policy. They will support the establishment of a Common Market Organisation as a safety net for the country’s farmers while laying down the marketing standards for certain products. At least 400 farmers will be included in various forms of collective self-support structures. The share of micro-irrigation and precision farming will be increased and the farmers’ capacity to self-organise and manage them will be enhanced.

The Action is in line with the European Green Deal³ and will contribute to the implementation of the Green Agenda for the Western Balkans⁴ and achieving the country’s objectives on the size of green economy, increase the number of green jobs and trigger a gradual shift to a circular climate-neutral economy.

³ COM(2019) 640 final

⁴ SWD(2020) 223 final

2. RATIONALE

2.1.Context Analysis

The economy of North Macedonia is characterised by its small size, high unemployment, relatively low wages which reflect the competitiveness level, and the need to export to support its growth. The country needs high value-added foreign direct investments (FDI) to improve its performance. Overall, the economy is not competitive enough and cannot yet cope with the pressure and market forces in the EU. In 2018, the GDP per capita (in PPS) was 38% of the EU27 average⁵.

Private sector

North Macedonia ranks 82 out of 141 countries in the *Global Competitiveness and Innovation Report 2019*⁶ and 77 out of 152 countries in the *Competitive Industrial Performance Index 2020*⁷.

Numerous EU documents⁸ outline the need for structural changes to improve the environment for the business in the country. The Commission North Macedonia 2021 Report⁹ recognises that the country has achieved some progress on Chapter 20: Enterprise and industrial policy, particularly in the fight with informal economy, increasing financial support to companies and improving the structure of public dialogue with businesses. Limited progress was also acknowledged on Chapter 25: Science and research, particularly as regards the research and innovations capacities in the public and private sector and the development of the Smart Specialisation Strategy. The impact of the measures implemented under the 2014-2020 strategy for research and innovation should be carried out and efforts should be strengthened to ensure synergy with other national research and innovation policies

The European Commission Assessment report of the 2020-2022 Economic Reform Programme North Macedonia¹⁰ highlights further the needs to increase the national investments in technological innovation and to support the integration of the domestic companies into global value chains.

The *European Innovation Scoreboard 2020*¹¹ characterises North Macedonia as a modest innovator, at performance level below 50% of the EU average. In 2017, the R&D expenditure (both public and private) was 0.35% of the GDP¹² (EU: 2.43% in 2016), and the R&D expenditure per inhabitants in 2018 was 18,8 Euro (EU27 it was 661,9 Euro¹³). Notwithstanding the fact that the country's manufacturing sector structure has been shifting towards higher technology-based productions, the value added per capita is still lagging behind. In this context, investing in research, development and innovation is very important to be successful in the interconnected global market.

Since the EU is the main trade partner of the country, the integration of the value chain passes through a closer alignment with the EU internal market *acquis* and compliance with the EU

⁵ <https://ec.europa.eu/eurostat/databrowser/view/tec00114/default/table?lang=en>

⁶ World Economic Forum, *Global Competitiveness and Innovation Report 2019*, available at http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

⁷ <https://stat.unido.org/country/MKD.pdf> ; jsessionid=5302677C31C67CE81999C66B812E7916

⁸ 2019 Communication on EU Enlargement Policy. North Macedonia 2019 Report (COM (2019)260 final) 29.5.2019; Communication "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans (COM (2018)65 final) 6.2.2018; Stabilisation and Association Agreement 26 March 2001.

⁹ SWD(2021) 294 final

¹⁰ SWD (2020)69 final.

¹¹ https://ec.europa.eu/growth/industry/policy/innovation/scoreboards_en

¹² <https://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS>

¹³ <https://ec.europa.eu/eurostat/web/science-technology-innovation/data/database>

standards, including support of the European Green Deal and the Circular Economy Action Plan. Particularly important is to support the **Small and Medium Enterprises** and to mitigate job mismatch and horizontal skills mismatch among young people. Almost 55,000, they represent 99.7% of the total number of active enterprises¹⁴ (EU: 99.8%), employ 74.2% of the national labour force (EU average 66.5%), and create 63.4% of the national value added (EU average 56.3%). The national economy is therefore more dependent on the performance of the SMEs, compared to the EU.

Agriculture

The share of agriculture in the country's GDP is around 8%¹⁵, which is much higher compared to the EU average (1.1 % in 2018¹⁶). The gross agriculture output is improving and in 2017 it reached EUR 1,147 million¹⁷ or 2,212 EUR/Ha¹⁸ 19. However, the average farmer in North Macedonia produces less than a third of what an average EU farmer produces²⁰. The value of the subsidies to Agriculture exceeded EUR 100 million in 2018 while the investments in fixed assets account for additional EUR 55 million²¹. EUR 60 million are allocated to the sector through the IPARD programme (2014–2020). The country is a net importer of agri-food products, with a deficit of the agri-food balance of over EUR 212 million²² in 2019, which is 41% up compared to 2008.

The total agricultural area in 2019 is 1,265,000 Ha, but more than 740,000 Ha are pastures, 419,000 Ha are arable land and gardens, meadows are 60,000 Ha and 41,000 Ha are permanent crops. According to the 2016 Farm Structure Survey the number of farms in the beneficiary country is 178,125²³, of which 280 are business entities. The average size of the farms is around 3 Ha (525,000 Ha/178,125 farms), while in the EU the average size is 17 Ha. While mechanisation in small farms does not play a special role, irrigation combined with adequate use of fertilisers (including a shift to precision-farming) and good agriculture practices can contribute to boost the production and turnover. In support of more intensive agricultural practices requiring irrigation, the Government adopted an "Investment Plan for Water Management Master Infrastructure 2015-2025", which envisages an increase of the irrigated

¹⁴ Small Business Act (SBA) Fact Sheet 2019. https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/sba-fs-2019_north-macedonia.pdf

¹⁵ http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat_BDP_BDPInvesGodisni_BDPsporedESS2010/125_NacSmA_Mk_03ProGod_01_ml.px/table/tableViewLayout2/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef
http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat_BDP_BDPInvesGodisni_BDPsporedESS2010/125_NacSmA_Mk_03ProGod_01_ml.px/table/tableViewLayout2/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef
http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat_BDP_BDPInvesGodisni_BDPsporedESS2010/125_NacSmA_Mk_03ProGod_01_ml.px/table/tableViewLayout2/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef

¹⁶ https://ec.europa.eu/eurostat/statistics-explained/index.php/Performance_of_the_agricultural_sector

¹⁷ http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat_EkSmetkiZem/125_SmetZem_Mk_TekCen_ml.px/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7 (sum up 14 (agricultural goods output) and 15 (agricultural services output).

¹⁸ in case only the cultivated land is considered

¹⁹ Source for the UAA:

http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat_Zemjodelstvo_RastitelnoProizvodstvo/425_RastPr_Op_PovrsNtes13_ml.px/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef

²⁰ World Bank 2018 Country Diagnostic Review

²¹ ARD Strategy 2021 – 2027.

²² Trade Data is according WTO classification of Agricultural products ANNEX I – Agreement on Agriculture + fish and fish products – Calculation of the MAFWE, Tab 16 Uvoz, t24_u

²³ <http://www.stat.gov.mk/PrikaziPoslednaPublikacija.aspx?id=79> (T.12.)

land from circa 80,000 Ha in 2016²⁴ to 144,000 Ha in medium-term and to 250 000 Ha in the longer term.

In EU context, the cooperatives and farmers associations (for instance producer's group according to the EU Common Market Organisation) are a solution to the size and parcellation of farms. A strong system of cooperatives and Producers' Associations might assist small farmers to increase their competitiveness by providing the necessary services to reduce the cost of production and increase the revenues. However, in North Macedonia, there are only 54²⁵ agriculture cooperatives in 2019, primarily in Vardar, Pelagonia, East and Southeast regions, associating 721²⁶ farmers (0.4% of all farmers). Overall, they are relatively weak to properly implement their function. Strengthening them, promoting their transformation in Producers' Organisations is a good way to help farmers reduce the production costs, obtain a better price for their products or to shorten the supply chain through the local processing of their productions.

This approach is also in line with the need to align the national legislation and policy with the EU Common Agricultural Policy (CAP) and to implement the recommendations as defined in the North Macedonia 2021 Report under Chapter 11.

2.2.Problem analysis by areas of support

AREA OF SUPPORT #1: PRIVATE SECTOR DEVELOPMENT

In implementation of the international commitments and search of sustainability North Macedonia needs to shift to a climate-neutral economy through boosting the innovative capacity of companies. This objective is very ambitious compared to the current state of economy, marked by low value-added production and services, insufficient financial support for R&D, low technological level in industry, weak linkages between businesses and academia and a significant skills mismatch. This is further aggravated by a lack of incentives for business entrepreneurship and endemic "brain drain". The insufficient technological development and innovation appetite couples with low quality requirements and lack of compliance with international standards and certifications. The unsophisticated technology particularly in start-ups and SMEs results into inconsistent quality of goods and services. This impedes local companies to take part in global value chains. The country's links to global value chains are predominantly concentrated in services and low-to medium-value manufacturing products, bringing only limited benefits to the rest of the economy. Stronger networking of companies could further enhance productivity and income, through the sharing of knowledge and technology. In addition, the environmental sustainability has not been embraced by local business, due to the low innovation level and lack of framework conditions for green investments and innovation.

To address these challenges, North Macedonia needs to invest in technology extension programmes to build firm capabilities, adopt international quality standards and help entrepreneurs to acquire soft skills increasingly recognised as critical to business success. Furthermore, North Macedonia needs to equip young people with the right key competences to actively participate in the labour market. The Action will address these issues by involve different stakeholders:

- **The Cabinet of the Deputy Prime Minister in charge for Economic Affairs (CDPMEA)**, which is the institution in charge of the overall coordination of the economic

²⁴ <http://www.stat.gov.mk/PrikaziPoslednaPublikacija.aspx?id=79> T-15: irrigated area; Main indicators: Total utilized area); http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat_Zemjodelstvo_RastitelnoProizvodstvo/425_RastPr_Op_PovrsNtes13_ml.px/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef (Cultivated land)

²⁵ Source: MAFWE

²⁶ Source: MAFWE

affairs and the reforms associated with the development of the private sector. Its role evolved from a coordinator to a main sector policy maker and main decision-maker as regards state aid to private sector, centralising both planning and implementing functions.

- **The Ministry of Economy (MoE)** is legally the policy-making body for the competitiveness, goods and services sector and SMEs policy.
- **The Fund for Innovations and Technology Development (FITD)**, which encourages innovation by providing additional resources for SMEs to finance innovation, in view of the need to build a competitive economy based on knowledge.
- **The Ministry for Environment and Physical Planning (MoEPP)**, which is responsible for various aspects of sustainability, climate change, circular/green economy.
- **The Directorate for Technological Industrial Development Zones (DTID)**, with implementation responsibility for the Technological Industrial Development Zones (TIDZs), including state aid and aftercare.
- **The Science Technology Park (STP)**, which deals with the digitisation of the society, boosting technology transfer and growth of start-up companies.
- **The National Technological Transfer Office (NTTO)**, which is expected to become the main partner for technology transfer and enhancing technological and innovation potential.
- **The Industrial and Green Zones (IGZs)**, which seek to attract investment into green industry/manufacturing, leading to products being awarded green eco labelling, eco-friendly production, etc.
- Other bodies that will be associated to this Action involve **Business Associations**, the **Chambers of Commerce of North Macedonia**, **universities**, **start-ups** and **SMEs**.

AREA OF SUPPORT #2: AGRICULTURE

North Macedonia has to address important challenges in order to increase the competitiveness of the national agriculture. The most important of them refers to the small size of the farms, which makes the increase in their productivity the only way to raise the welfare of the farmers and ensure decent living for the numerous agricultural producers. Productivity is heavily dependent on the investments, and particularly on the investments in irrigation systems which have the best payback period since they reduce the dependency of the yield from the erratic level of rainfall.

Another problem associated to the limited size of the farms is the fragmentation of the supply. The small farmers are irrelevant on the market and therefore are price takers. In this respect, the CAP promotes the establishment of Producers' associations within the Common Market Organisation (CMO). The producers' associations by aggregating the supply increase the contractual power of the farmers.

The Action addresses the two issues and has the potential to increase the productivity and the income of the farmers. The EU investments are expected to reduce the uncertainty of the yields that, without irrigation, depend on the fluctuation of the rainfall. The Action also reduces the risk that agriculture products could be sold at very low prices imposed by the traders.

The Action will involve different stakeholders:

- **The Ministry of Agriculture, Forestry and Water Economy (MAFWE)**, responsible for the sector policy making and policy implementation. Under this Action, the Ministry shall assume a key role as regards the overall coordination of the agriculture related activities to be implemented, main coordinator of the stakeholders.

- The **MAFWE Unit for agricultural cooperatives** performs agricultural cooperatives related tasks.
- The activities related to irrigation and drainage will be under the control of the **MAFWE Directorate for Water Economy**, having the overall responsibility for the management of the capital investment projects.
- The Administration for Water Economy of the **Joint Stock Company Water Management** responsible for operation and maintenance of the public irrigation and drainage systems on the whole territory of the country.
- The **National Extension Agency**: NEA acts as a state body, a legal entity independent in its work. NEA through the system for provision of advisory services on agricultural holdings (AH), aims to facilitate the transfer of knowledge and information, as well as their implementation in AHs.
- The **State Agriculture Inspectorate (SAI)** supervises the implementation and compliance with laws and other regulations; supervises the trade of plants, products in the field of agriculture; and inspects and controls agricultural land, agricultural crops and plantations, premises where agricultural products are processed.
- The **Agency for Financial Support to Agriculture and Rural Development (AFSARD)**, responsible for procurement, contracting and payments to farmers.
- Representatives of the **donor community, international organisations, financial institutions** actively supporting the sector, (i.e. the Dutch and the Swiss Embassies and FAO, USAID, UNDP, WB and GIZ).
- **Representatives of farmers, agro-food industry, irrigation Water Users' Associations and Agriculture Cooperatives.**

2.3.Relevance and complementarity with strategies supported by key national stakeholders

The Action will improve the competitiveness of the economy of North Macedonia and will contribute to the implementation of the Economic Reform Programme and the Economic and Investment Plan for the Western Balkans²⁷.

It is well rooted in the national strategic framework:

- Boosting the innovative capacity of the enterprises and facilitating the implementation of EU standards toward climate neutral economy will support the country to achieve the objectives of the Economic Growth Plan (2018-2022), the Strategy for Competitiveness (2016-2020), the Innovation Strategy of North Macedonia (2012-2020), the National Small and Medium Enterprise Strategy (2018-2023), the Industrial Strategy with a focus on the Manufacturing Sector (2018-2027), and the Strategy of Women Entrepreneurship Development (2019-2023).
- By strengthening the position of the agricultural producers in the food chain, the Action will support the implementation of the National Strategy for Agriculture and Rural Development (2021-2027), the Investment Plan for Water Management Master Infrastructure (2015-2025), National Programme for Agriculture and Rural Development (2018-2022), and the IPARD Rural Development Programme (2014-2020).

²⁷ COM(2020) 641 final

At the same time the Action is well guided by the European Green Deal and the Green Agenda for the Western Balkans, and will support the implementation of key national strategies, notably the National Biodiversity Strategy (2018-2023) and the Strategy for Nature Protection (2017-2027). Moreover, the enhanced Nationally Determined Contribution Plan submitted in April 2021 introduces measures and policies referring to agriculture and land use. This action will support meeting the national targets.

The sector policy framework is complemented by a Performance assessment framework encompassing around 100 indicators at outcome and impact level.

The sectors of competitiveness and agriculture benefit of well-established policy dialogue channelled through two Sector Working Groups (SWGs): the Sector Working Group for Competitiveness and Innovation chaired by the Deputy Prime Minister for Economic Affairs, and the Sector Working Group for Agriculture and Rural Development, chaired by the Minister for Agriculture and Forestry and Water Economy. The SWGs include authorities, donors and civil society.

As regards the sectors financing, North Macedonia does not yet have a robust medium-term expenditure framework to anchor the costs for the major reforms and ensure their credibility. However, the ongoing Public Finance Management (PFM) reform programme is expected to address this issue. North Macedonia demonstrates a high-level political commitment and the Ministry of Finance and the Government introduced significant improvements in the Public Finance Management (PFM) system. The Government realised fully or partially 71% of all measures defined in the PFM reform programme (2018-2021) by the end of 2019. The existing legal and institutional framework is supportive to the reforms, and there are sufficient human and financial resources. There are good monitoring, co-ordination, and performance assessment mechanisms allowing the ongoing follow-up on the PFM Reform programme. The 2019 Open Budget Index recognised the improvements in transparency, even if progress is still necessary. The government has made progress with adoption of the organic budget law which introduces programme-based budgeting and multi-annual expenditure framework.

2.4.Relevance and complementarity with EU policy and EU and other donors' assistance

The Action is in line with the IPA III Programming Framework, Window 4: Competitiveness and inclusive growth. More specifically, it responds to (1) Thematic Priority 2: Private sector development, trade, research and innovation, which aims to: improve the business environment and investment climate of the beneficiary countries, in view of increasing the competitiveness of these economies, and (2) Thematic priority 3: Agriculture and rural development, which aims to gradually build an agricultural sector capable of competing with market forces, while progressively aligning with the EU legal framework in the field of agriculture and rural development and the relevant veterinary, food safety and phytosanitary standards.

The action supports the implementation of the Economic and Investment Plan for the Western Balkans²⁸ and its annex “Green Agenda” in the area of competitiveness and inclusive growth, sustainable connectivity, and the twin green and digital transition as well as sustainable agricultural production.

The Action addresses the recommendations of the North Macedonia 2021 Report for Chapter 11: Agriculture and Rural Development, Chapter 20: Enterprise and industrial policy and Chapter 25: Science, Research and Innovation. It will also support the priorities as defined in the 2018 Communication “A credible enlargement perspective for and enhanced EU

²⁸ COM(2020) 641 final

engagement with the Western Balkans²⁹, the Recommendations of the 15th meeting of the Subcommittee on Agriculture and Fisheries of the Stabilisation and Association Agreement (SAA), and the Conclusions of the 16th meeting of the Subcommittee on Innovation, Information Society and Social Policy of the SAA.

It is also well guided by “A renewed European Agenda for Research and Innovation-Europe’s chance to shape its future”³⁰, and the “A New Industrial Strategy for Europe”³¹.

The Action reflects the principles of the Paris Agreement, the European Green Deal, the new Circular Economy Action Plan³², and the Green Agenda for the Western Balkans, and the United Nation’s 2030 Agenda for Sustainable Development. It pilots the green recovery path in North Macedonia, by linking the economic and environment-protection dimensions.

2.5. Lessons learned and links with previous financial assistance

The EU is the largest donor in the country for the sectors of private sector development, agriculture and rural development. Under IPA II, the EU support for these two sectors reached EUR 165.3 million. The implementation of the EU projects provides for the following conclusions:

- The support to the private sector requires a clear political vision backed by strong coordination and administrative capacity. Moreover, the different policies must work in unison one with another, i.e. the policies on private sector development must be well coordinated with the policies on education (particularly VET) and labour markets; the policies on agriculture have to take into consideration the environmental policies. This requires a sophisticated, well-coordinated and inclusive policy-making process. North Macedonia is advancing on this front through the functioning of the sector policy platform, which will be further used as a framework for the policy dialogue in this action.
- Involving stakeholders, namely the business and farmers communities, is a vector of success for any action. They must be partners in the activities, not only beneficiaries. This approach, defining the sustainability of the EU investments, requires strong communication and outreach policy.

3. DESCRIPTION OF THE ACTION

3.1. Planned results and intervention logic

The Action will contribute to improving the competitiveness of North Macedonia’s economy and the implementation of the Green Agenda for the Western Balkans. It will support North Macedonia in increasing the size of green and circular economy by 2027, indicated as 22% increase of the environmental goods and service and 17% increase of the Gross value added from market output of the environmental economy. The number of green jobs is also expected to raise by 15% by 2027. The EU investments are expected to trigger a gradual shift to climate-neutral economy and a 34% decrease of the GHG/GDP ratio in 7 years. The transition to a green economy will stimulate the business development and will help North Macedonia improve its rank in the Global Competitiveness Index.

The Action *outcome – to green, recover and modernise the economy of North Macedonia* – will be achieved through 2 *outputs*:

²⁹ COM (2018)65 final

³⁰ COM(2018) 306 final

³¹ COM(2020) 102 final

³² COM(2020) 98 final

1). Established “Greening Business” Facility. At least 300 companies will be able to green their business operations, demonstrating in practice the efficiency and effectiveness of sustainable, nature-based solutions. Over 180 companies will introduce quality and sustainability standards allowing them to integrate in the global value chains. In long-term aspect this is supposed to contribute to a 33% increase in the companies’ exports. The EU investments is expected to create 700 new (green) jobs. The advisory and financial mix will decrease by 20% the use of the natural resources and will increase by 10% the turnover of the supported companies.

2). Enhanced cooperation and position of farmers in the supply chain. The action will strengthen the position of agriculture producers and at least 400 farmers will be included in various forms of collective self-support structures. At least 4 producers’ organisations will be established to ensure the bargaining strength of farmers in the supply chains. The share of micro-irrigation will be increased; 3 small-scale irrigation schemes will be constructed to irrigate around 635 ha (290 ha in Sopot, 305 ha in Novaci and around 40 ha in a location to be defined later). Their maintenance and management will be handed over to farmers’ associations, prepared and trained to assume this new responsibility. The EU investments will contribute to reaching the 2027 national objectives for increasing the agricultural output by 20% and raising the agricultural exports by 15% by using sustainable agriculture practices.

The Action will combine financing and advisory mix, and will also invest in strengthening the capacities of the administration, business and associations of business and farmers. It is also expected to mobilise additional EUR 8 to 20 million of private investments.

3.2. Indicative type of activities

Output 1: Established “Greening Business” Facility

This output will be achieved through the following activities:

Activity 1.1: Establishment of “Greening Business” Facility, involves:

- Extending the body of knowledge on green financing in North Macedonia, developing proposals for regulatory and tax incentives for green businesses, and developing funding strategy;
- Advisory assistance to companies to achieve compliance with EU standards, to innovate, and become a part of the circular economy, to become a vector for reduction of pollution;
- Advisory assistance to the Fund for Innovation and Technological Development for design of the rules and procedures for selection of grant beneficiaries; for assessment of the proposed investments and consistency with the eligibility criteria, for monitoring of the funded operations, for data collection and management and reporting;
- Promotion of the “Greening Business” Facility and raising the awareness of the business communities on their environmental impact and on the ways to adopt environment-responsible and sustainable behaviour. Implementation of a communication plan focusing the public attention on the need and benefits of business greening.

Activity 1.2: Investing in green businesses

This activity refers to the operation of the “Greening Business” Facility, which will promote and stimulate the environmental responsibility among business. The facility is considered an investment vehicle to encourage business to innovate their operations and decrease their environmental footprint.

The Facility will provide grants, through a competitive procedure (targeted calls for proposals) to selected companies for their projects/initiatives.

The Facility will stimulate the private companies' investments in area such as: industrial innovation and circular economy, green buildings, clean energy resources and sustainable mobility, sustainable land use and nature, and willingness to apply the EU internal market standards.

The Facility will be gender-sensitive as regards the beneficiaries but also as regards the investments (all investments will be assessed for their gender impact).

Output 2: Enhanced cooperation and position of farmers in supply chain

This output will be achieved through the following activities:

Activity 2.1: Implementation of Common Market Organisation (CMO) measures in North Macedonia, in line with the EU *acquis* and the objectives of the Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system³³ and with the principles of circular/green economy for supporting sustainable value-chains. The Action encompasses the following activities:

- Harmonisation of the secondary (delegated) national legislation with the EU legislation regarding CMO;
- Raising the awareness of the farmers on the benefits of the establishment of producers' organisations;
- Creation of producers' organisations in sub-sectors where preconditions are in place;
- Building the institutions responsible for CMO policy implementation;
- Putting in place risk prevention measures and management tools;
- Promotion of environment friendly agriculture including irrigation capacities and precision-farming (to improve the adequate use of fertiliser and chemicals);
- Promotion of agricultural products;
- Enforcement of the minimum quality standards;
- To improve market organisation, vertical integration and quality improvements;
- Implementation of quality policy in the area of Geographic Indications (GIs).

Activity 2.2: Enhancing the self-organisation of farmers in creation and management of small-scale irrigation systems

The Action involves 2 sub-activities:

- 1) Enhancing the self-organisation of farmers and extending the capacities of the farmers' water use associations/cooperatives through various information, training, coaching and mentoring activities. The capacity-building measures will also support the Ministry of Agriculture in construction and putting in operation of the small irrigation schemes, building partnership with the water cooperatives and promoting sustainable collective practices in agriculture.
- 2) Construction of small-scale, low-cost, environment friendly irrigation capacities. The Action will invest in (at least) three irrigation schemes out of the major irrigation. This investment has been prepared under IPA II. Accurate feasibility and socio- economic and environmental studies, backed up by

³³ COM(2020) 381 final

technical documentation, has been developed for new irrigation networks (Polog, Pelagonija or Vardar) and rehabilitation and reconstruction of existing infrastructure in Novaci, Sopot. The planned investment will benefit around 400 farmers allowing the irrigation of around 635 ha. The use of irrigation plays an important role in the decision of the plants to be cultivated and is a tool for diversification and optimisation of the agriculture. The irrigation will not only increase the production on area but will also change the farm profile.

3.3. Risks and assumptions

Risks	Risk level (H/M/L)	Mitigating measures
<p>Risk 1: The country development goals may offset the environmental considerations. This is still nourished by the political will to trigger quick wins and by the predominant social opinion that the country and the people must become richer before starting mass investment in environmental protection.</p>	<p>H</p>	<p>Putting in place sustainable development initiatives will demonstrate in practice the benefits of leapfrogging in development through integrating the environmental sustainability concept in the economic growth at an early stage. To internalise the concept that there are development paths which improve the efficiency of consuming natural resources, the society needs to receive quality and objective information. For this, it is important to monitor, study and discuss the impact of the greening on economy at micro and macro level, as well as to include human well-being into the country development indicators, in parallel to the GDP. This need to be accompanied by an inclusive and participatory policy dialogue on the trade-offs between economic benefit and ecological impact. The EU will support this process by using the already established transparent and inclusive mechanisms for policy dialogue. In parallel, the capacity of the civil society engaged in environmental protection will be strengthened to allow better voicing of the environmental concerns, at least at a level equal to the one of the business community.</p>
<p>Risk 2: Limited administrative capacity and insufficient coordination among the institutions</p>	<p>M</p>	<p>The Action will address this risk by investing in administrative capacities in both sectors: competitiveness and agriculture. The capacity building measures such as training, mentoring, advising, will be accompanied by structured and focused communication policy and intense policy dialogue to make sure that all stakeholders are benefiting from the right and place to express their opinion and contribute to the development efforts.</p>
<p>Risk 3. People engaged in agriculture, farmers and producers, are in principle a conservative sector of society, focused more on stability compared to</p>	<p>L</p>	<p>This risk will be partly overcome by implementation of the outreach activities, and strong awareness raising approach by the Action.</p>

<p>growth-oriented paths. Therefore, involving them in agriculture innovation hides some risks.</p>		
<p>Assumptions (to be reflected in the Logical Framework Matrix above)</p>		
<p><u>Assumptions affecting the Outcome</u></p> <p>There is full commitment to green the economy of the country, which is projected in tax laws, procurement and state aid rules benefiting green companies/production;</p> <p>The Government promotes the modernisation of the agriculture.</p> <p><u>Assumptions affecting the Outputs</u></p> <p>The enterprises are interested to invest in greening their operations;</p> <p>The farmers are interested to join efforts and cooperate for improving their positions.</p>		

3.4.Mainstreaming

How does this Action contribute to Gender Equality and Women’s and Girls’ Empowerment (in line with the EU gender equality strategy 2020-2025)?

The Action is gender-sensitive.

First, it will address gender equality by encompassing a number of gender-sensitive indicators to measure the success of the projects. On the background of missing surveys and gender analysis in the country, the action will collect baseline data and qualitative evidence to better understand the needs and priorities of men and women as regards the economic and agriculture activities. Moreover, the collection of sex-disaggregated data will allow the EU Delegation and all implementing partners to detect early if project activities create further imbalances and underrepresentation in decision making and economic activities in order to apply timely mitigation measures.

Second, the funding for businesses will involve special financial incentives to women owners or managers of enterprises.

Third, under the agriculture-related output, special focus will be put on involving women. In North Macedonia the percentage of women owning land and production tools is very small. Therefore, the Action will actively promote equal opportunities with a special focus on engaging women in self-support cooperative activities.

During the implementation, equal opportunities and gender mainstreaming will be ensured through gender sensitive analysis, training, review of standards, skills development and information. In addition, all implementing partners will be requested to provide monitoring data recording the participation of men and women by age in terms of expert inputs and staff hired by the project.

How does this Action address Environment and Climate change?

The Action itself is a tool to promote the European Green Deal and the EU Circular Economy Action Plan, and to implement in practice the European Green Agenda for the Western Balkans. All planned activities in this Action will contribute to achieving the climate change objectives of the country and saving of natural resources. EU funds will be channeled to greening the business practices and implementing the EU environmental and quality standards. This involves industrial natural resource-saving innovation and circular economy, green buildings, renewable

energy/energy efficiency and sustainable mobility, sustainable land use and nature-based solutions. No support will be provided to “environmental non-friendly or neutral” business activities. Under the agriculture component, the EU investments are channelled to small scale, low-cost and environment friendly irrigation schemes, which will improve farmers responsiveness to climatic changes and in particular to episodes of drought. The new irrigation facilities are also expected to change the agricultural practices and diversify the agricultural production which will support the food security, improve the trade balance and support the decrease of the environmental footprint of the local agriculture.

The Action will have an impact on achieving the country’s objectives on the size of green economy, which involve an increase of 22% of the environmental goods and service sector, and by 17% of Gross value added from market output of the environmental economy. The number of green jobs is also expected to raise by 15% by 2027. The EU investments are expected to trigger a gradual shift to climate-neutral economy. In this respect Action will contribute to a 34% decrease of the GHG/GDP ratio.

How does this Action address the Rights Based Approach?

This Action takes into consideration the country’s commitment to advance the human rights agenda in practice. It will support North Macedonia in enforcing the right of the citizens to have a job and decent living, and to live in a clean environment, where natural resources are benefitting all citizens. The project is expected to create 700 green jobs and to enhance the participation in the economic life of vulnerable people. The Action has the potential to decrease the marginalisation and provide a development perspective.

How does this Action promote the systematic engagement with Civil Society?

The civil society organisations have been engaged in the discussions of the national sector priorities, primarily during the preparation of the relevant strategic documents. Representatives of Civil society will be involved into the implementation of this Action, as the harmonisation of the national legislation with EU *acquis* involves a wide range of stakeholders on the basis of open dialogue, allowing stakeholders and those who are potentially affected to be involved into the process. However, the main forum for the engagement of the CSOs is as usual represented by the SWG. The SWG was involved in the programming of this Action and will be involved in its implementation.

This Action has been developed in an inclusive process encompassing authorities, donors and civil society and channelled through the sector working groups on competitiveness and on agriculture. 9 business and farmers organisations took part in the policy dialogue. This approach will further apply in the implementation stage when the beneficiary institutions will report on the challenges and the achieved results.

Others (such as Resilience and Conflict Sensitivity, Roma, people with disabilities and other vulnerable groups)

This Action takes into consideration the country’s commitment to advance the Roma agenda and support the vulnerable people in integrating in the labour markets. It will support North Macedonia in enforcing the right of the citizens to have a job and decent living, and to live in a clean environment, where natural resources are benefitting all citizens. The project is expected to create 700 green jobs and to enhance the participation in the economic life of vulnerable people. The Action has the potential to decrease the marginalisation and provide a development perspective for Roma people, as well as other vulnerable categories.

3.5. Conditions for implementation

The following condition will apply:

→ The Fund for Innovation and Technologic Development will reinforce the staffing level before the start of the projects. The Fund will recruit the needed staff to make sure that at the project start there are least 20 public servants, who, by job description, participate in the implementation of the Greening Business Facility.

Failure to comply with the requirements set out above may lead to a cancellation of the relevant activity and re-allocation of the funds.

3.6. Logical Framework for PROJECT MODALITY

Results	Results chain	Indicators	Baselines (year)	Targets (year)	Data Sources	Assumptions
Impact	To improve the competitiveness of North Macedonia's economy	Global Competitiveness Index Export companies' rate Enterprise survival rate in the fourth year of life GHG emission intensity (CO ₂ -eq) over GDP in EUR (Chain linked volumes (2015) millions EUR) Size of green economy: - Environmental goods and service sector - Gross value added from market output of the environmental economy - Employment from market output of the environmental economy	57.33 (2019) 5,97% (2017) 54.1 % (2014) 0.80 kg CO ₂ -eq/EUR (2016) ³⁵ 245 MEUR (2017) 128 MEUR (2017) 15 587 persons (2017)	≥ 65 (2027) ≥ 8% (2027) 55% (2027) 0.53 - 0.29 (2027) 300 MEUR (2025) 150 MEUR (2025) 18 000 persons (2025) ≥ 95,000 (2027)	WEF ³⁶ SSO ³⁷ SSO ³⁸ BURCC + Eurostat ³⁹ SSO ⁴⁰ SSO ⁴¹ SSO ⁴²	N/A

³⁵ 7449.3 kt CO₂-eq/ 9330.7 MEUR

³⁶ http://reports.weforum.org/global-competitiveness-report-2018/competitiveness-rankings/?doing_wp_cron=1561719846.16750311851501464843752018

³⁷ SSO additional calculation

³⁸ http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat_DelovniSubj_DemografijaNaPretprijetija/275_DelSub_Mk_04AN_en.px/?rxid=2d7f8742-3410-4731-ae76-1c3793fbb500

³⁹ Numerator: GHG Inventory 3rd Biennial Update Report on Climate Change: <https://klimatskipromeni.mk/data/rest/file/download/a1435bdb62132cba0d2167eedf01da42c6284fc626a0614b9f285216050a8c11.pdf>

Denominator: EUROSTAT, GDP and main components (output, expenditure and income) [nama_10_gdp], Chain linked volumes (2015), million euro: <https://ec.europa.eu/eurostat/data/database>

⁴⁰ SSO Not published EGSS Data Collection - EUD elaboration

⁴¹ <http://www.stat.gov.mk/PrikaziPoslednaPublikacija.aspx?id=79> (Select: T-15: irrigated area)

⁴² Numerator: <http://www.stat.gov.mk/PrikaziPoslednaPublikacija.aspx?id=79> / (Select: T-15: irrigated area)

Denominator: http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat_Zemjodelstvo_RastitelnoProizvodstvo/425_RastPr_Op_PovrsNtes13_ml.px/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef

Results	Results chain	Indicators	Baselines (year)	Targets (year)	Data Sources	Assumptions
		Total irrigated land in the country Rate of irrigated land over UAA (cultivated land) Gross Agricultural Output (current prices, MKD) Average annual export of agricultural and food products ³⁴ Net value added at current price per Utilised Agricultural Area (MKD)	84 434 ha (2016) 16.3 % (2016) 71.16 billion (2017) 624.5 MEUR (2019) 78 969.6 (2017)	≥18.3 % (2027) 85.4 billion (2027) 720 MEUR (2024) 114.000 (2027)	SSO ⁴³ SSO ⁴⁴	
Outcome	Greened, recovered and modernised economy	Variation of the turnover of the supported companies Jobs created in the supported enterprises (sex disaggregated) Variation of the energy cost versus turnover	NA NA NA 0 (2020)	> 10% a year of the received investment >700 ⁴⁵ > 20% reduction of the incidence of the energy costs (electricity, gas, gasoline)	Implementati on report Implementati on report	There is full commitment to green the economy of the country, which is projected in tax laws, procurement and state aid rules benefiting green companies/ production.

³⁴ Trade Data is according WTO classification of Agricultural products ANNEX I – Agreement on Agriculture + fish and fish products – Calculation of the MAFWE, Tab 15Izvoz, t24_i

⁴³ http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat_EkSmetkiZem/125_SmetZem_Mk_TekCen_ml.px/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7

⁴⁴ Numerator: http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat_EkSmetkiZem/125_SmetZem_Mk_TekCen_ml.px/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7/

Denominator: http://makstat.stat.gov.mk/PXWeb/pxweb/en/MakStat/MakStat_Zemjodelstvo_RastitelnoProizvodstvo/425_RastPr_Op_PovrsNtes13_ml.px/?rxid=46ee0f64-2992-4b45-a2d9-cb4e5f7ec5ef

⁴⁵ Average EU cost per job: 20,000 Euro (male), 30,000 Euro (female), 40,000 Euro (male minority), 60,000 Euro (female minority)

Results	Results chain	Indicators	Baselines (year)	Targets (year)	Data Sources	Assumptions
		Number of recognised producers organisations Number of additional farmers benefitting of irrigation in the investment areas	0 farmers (2020)	≥ 4 (2024) > 400 farmers (2024)		The government promotes the modernisation of the agriculture.
Output 1	Established Greening Business Facility	No of supported companies (breakdown per economic sector / gender of management and ownership (male/female) / geographic location / type of “greening”) Financial leverage (mobilised private investments for the supported initiatives) Number of supported companies implementing at least one EU/international standard as a part of the project	0 (2020) NA TBD after the selection of the beneficiaries	300 (2025) 8 MEUR (2025) 180 (2025)	Implementati on report	The enterprises are interested to invest in greening their operations. The farmers are interested to join efforts and cooperate for improving their positions.
Output 2	Enhanced cooperation and position of farmers in supply chain	Average number of members in each Producers’ organisation Number of established Producers Organisations Number of additional hectares irrigated in the areas object of the investments Number of established water users’ associations in the form of cooperatives	0 (2020) 0 (2020) 0 ha (2020) 0 (2020)	≥ 15 (2024) ≥ 4 (2024) 635 ha (2024) 3 (2024)	Annual Report of MAFWE Implementati on reports of contractors / Reports of MAFWE	

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing agreement

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

4.2. For budget support only – N/A

4.3. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁴⁶.

4.3.1. Direct Management (Grants)

Grant "Greening Business" Facility

- a) *Purpose of the grant:* To ensure the implementation of Output 1, **Activity 1.2: Investing in green businesses**, which involves financing for business projects focused on greening of the business operations and practices, investments in circular economy and energy efficiency, innovations in the business sectors with high environment impact such as transport, heating, industry, etc.
- b) *Type of applicant targeted:* Public body of North Macedonia with legal competency and national mandate to implement the national policy in support of innovations and private sector development.
- c) *Justification:* Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Fund for Innovations and Technology Development (FITD), on the grounds of Article 195(c) and (f). The FITD is established by the government of North Macedonia, under the Law on innovations, as a legal entity providing funding for encouraging the innovations and competitive knowledge-based economy. The Law on innovations regulate the FITD mandate, scope, priorities, operational mode, governing and managing bodies and their appointment, way of financing, the programmes and the way of using of the operational funds. The government of North Macedonia appoints the members of the administrative bodies and the director. Along with the administrative powers stemming from the law and the governmental mandate, the Fund developed the technical expertise and high degree of specialisation to support local businesses grow and develop. Since its establishment, the Fund supported 559 business projects, and turned into the main channel of state aid to private sector working on innovations. The capacity of the Fund to support business innovations allows the organisation to attract donors and blend national, donor and private financing; the total leverage effect for the 7 years of FITD operations is EUR 76 million.

Grant "Enhancing cooperation and position of farmers in supply chain"

- a) *Purpose of the grant:* To ensure the implementation of Output 2, **Activity 2.2.2: Construction of small-scale, low-cost, environment friendly irrigation capacities**,

⁴⁶ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

which involves preparation of technical documentation, works and supervision as well as all related associated activities.

- b) *Type of applicant targeted:* Public body of North Macedonia with legal competency and national mandate to implement irrigation measures.
- c) *Justification:* Under the responsibility of the Commission’s authorising officer responsible, the grant may be awarded without a call for proposals to Ministry of Agriculture, Forestry and Water Economy (MAFWE), on the grounds of Article 195(c) and (f). MAFWE holds the responsibility for developing and implementing the country’s agricultural policy and has the mandate, administrative competence and capacity to implement the irrigation schemes funded by the national budget.

4.3.2. Direct Management (Prizes) – N/A

4.3.3. Direct Management (Procurement)

Procurement will be used for achieving the following outputs:

- Output 1: Established Greening Business Facility (Activity 1.1: Establishment of “Greening Business” Facility)
- Output 2: Enhanced cooperation and position of farmers in supply chain (Activity 2.1 Implementation of Common Market Organisation (CMO) measures)
- Output 2: Enhanced cooperation and position of farmers in supply chain (Activity 2.2.1): Enhancing the self-organisation of farmers in creation and management of small-scale irrigation systems).

Subject	Indicative type (works, supplies, services)	Indicative trimester of launch of the procedure
Output 1: Established Greening Business Facility	Service	Q1 2022
Output 2: Enhanced cooperation and position of farmers in supply chain	Services	Q1 2022

4.3.4. Indirect management with entrusted entity – N/A

4.3.5. Indirect management with an IPA III beneficiary – N/A

4.3.6. Contribution to a Regional Blending Facility/Platform – N/A

4.3.7. Budgetary guarantees – N/A

4.3.8. Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

If the award of grant contract "*Greening Business Facility*" fails, the relevant part of the Action (Activity 1.2) may be implemented through indirect management with an entrusted entity, selected by the Commission’s services on the grounds of the following criteria: financial and operational capacity, including (1) existing well-staffed and equipped operational structure in North Macedonia, able to manage the intervention as of day one of the contract implementation, and (2) experience in the implementation of

bilateral and EU projects involving creation of green funds and financing of innovation activities of private sector, and (3) value added, reflected through interest to leverage the EU investments in North Macedonia.

If the grant award for grant contract *“Enhancing cooperation and position of farmers in supply chain”* fails, the relevant part of the Action (Activity 2.2.2) may be implemented through indirect management with an entrusted entity, selected by the Commission’s services on the grounds of the following criteria: financial and operational capacity, including (1) existing well-staffed and equipped operational structure in North Macedonia, able to manage the intervention as of day one of the contract implementation, and (2) experience in the implementation of irrigation schemes.

4.4. Scope of geographical eligibility for procurement and grants

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

4.5. Indicative budget

Implementation modalities	EU contribution (amount in EUR)	Indicative third party contribution, EUR
Output 1: Established Greening Business Facility, composed of	20 150 000	7 000 000
Direct management (Grants) – cf section 4.3.1 - (with Fund for Innovations and Technology Development)	N.A	
Direct management (Procurement) – cf. section 4.3.3	N.A	
Output 2: Enhanced cooperation and position of farmers in supply chain, composed of	5 650 000	500 000
Direct management (Grants) – cf section 4.3.1 (with Ministry of Agriculture, Forestry and Water Economy)	N.A	
Direct management (Procurement) – cf. section 4.3.3	N.A	
Evaluation, (cf. section 5.3)	will be covered by another decision	N.A
Audit/Expenditure verification(cf. section 6)	will be covered by another decision	N.A
Communication and visibility (cf. section 7)	N.A	N.A
CONTINGENCIES	50 000	N.A
TOTAL	25 850 000	7 500 000

of which

Direct management	25 800 000	7 500 000
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Grants- total envelope under section 4.3.1	22 100 000	7 500 000
Procurement – total envelope under section 4.3.3	3 700 000	0

4.6. Organisational set-up and responsibilities

The Delegation of the European Union to North Macedonia will be in charge for the implementation of the action.

At policy level the implementing partners will be accountable to the relevant Sector Working Groups – on competitiveness and on agriculture, chaired by the relevant minister, as well as the IPA Monitoring Committee.

5. PERFORMANCE/RESULTS MONITORING AND REPORTING

The ongoing monitoring of the specific contracts will be a responsibility of the EU Delegation and the NIPAC office as well as of the body playing the role of the Steering Committees. The monitoring will be based on the action activities, results (outputs, outcomes and impact), indicators and targets.

5.1. Internal monitoring

The ongoing monitoring of the specific contracts will be a responsibility of the EU Delegation and the NIPAC office as well as of the body playing the role of the Steering Committees. The monitoring will be based on the action activities, results (outputs, outcomes and impact), indicators and targets.

5.2. Roles & responsibilities for data collection, analysis & reporting

The progress in the implementation of the Action will be monitored at sector level through the established in 2020 Performance Assessment Framework (PAF), which includes outcome and impact indicators, targets and baseline data. PAF has been established as a web-based application (to be backed up by a Government decision on responsibilities and deadlines) allowing regular electronic input of data, data processing and data analytics.

The PAF data will be used and discussed in the Sector Working Groups on Competitiveness and on Agriculture, which is also the inclusive platform of all stakeholders to monitor the implementation of the sector priorities. This set up implies that the Deputy Prime Minister for Economic Affairs (DPMEA) and the Ministry of Agriculture (MAFWE) shall assume a key role in supervision of the implementation of the Action, and in the organisation of policy dialogue to discuss challenges and results.

At output level, data about the implementation of each project and contract will be collected in OPSYS, and will be based on the data from official documents such as reports, acceptance certificates or equivalent documents.

The project itself is a tool to improve the capacities of the national and transnational institutions to monitor the sector developments. The competent actors (Fund for Innovation, contractors, Ministries, SEA) are expected to produce timely and meaningful data for the monitoring of results and impact of the Action.

5.3. Evaluation

Having regard to the importance and the nature of the action, a final evaluation will be carried out for all activities via independent consultants. It will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a financing Decision.

6. AUDIT

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

The financing of the audit shall be covered by another measure constituting a financing Decision.

7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force.

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the national administrations, entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.)

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and the EU Delegation. The European Commission and the EU Delegation should be fully

informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

More specifically, the promotion of the EU support will be ensured at different levels.

At the level of the action, the communication policy will be based on few activities with high media potential, and able to create media events allowing the Commission and the EU Delegation to promote the relevant EU values, policy and investments. Cooperation with the NIPAC office and the other beneficiaries will be very important to ensure one-voice communication to citizens.

At contract level, all contractors and grantees shall develop communication and visibility activities in line with the EU communication and visibility requirements in force. Focus should be put on "out-of-the-box" communication solution having the potential to attract the attention of media and citizens and allow passing important messages. The communication and visibility plans of contractors and grantees will be approved by the EU Delegation. Focus should be put on "out-of-the-box" communication solution having the potential to attract the attention of media and citizens and allow passing important messages. However, all contractors are expected to show a good communication reflex and the ability to exploit unexpected opportunities to promote the activities and the EU support. The opportunities provided by the digital communication and social media shall be used at large. It is the responsibility of the contractors and beneficiaries to keep the EU Delegation and the Commission fully informed of the planning and implementation of the specific visibility and communication activities. The beneficiary shall also report on the visibility and communication actions in the relevant reports. The implementation of the communication activities shall be funded from the budgets of the separate contracts.

Visibility and communication shall focus on results and changes achieved and shall demonstrate how the EU support brings the country closer to the EU standards. The objective is to improve the awareness on the EU funding of the general public and not only of target specific audiences. The communication policy applied must ensure that the added value and impact of the EU's interventions are understood by the citizens and that EU funds are managed and used in a transparent, efficient and effective way for the benefit of the country as a whole.

8. SUSTAINABILITY

The sustainability potential of the action is high both at institutional and at financial level. Coupling capacity building and financial support will decrease the risk of failure and will improve the survival rate of the companies benefiting of the EU financing for greening their operations. The government of North Macedonia has committed considerable financial resources for greening of the economy in general; it is expected that the established Greening Business Facility continue its operation after the end of the Action.

Another vector of sustainability is provided by the inclusive policy dialogue which is expected (1) to support the implementation of the coherent sector policies, underlying this Action, thus contributing to the economic recovery of the country, and (2) to trigger a gradual shift of the public opinion, which would raise the societal demand towards the environmental performance of the business. In longer-term this will drive further the process of adaptation of the business to the climate change objectives of the country.