

*Twelfth Quarterly  
Accession Watch Report*

**IPA-  
MINDING**

July 2012

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### **Twelfth Quarterly Accession Watch Report**

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# A MYSTERY CALLED IPA

As part of regular accession watch activities, the Macedonian Centre for European Training (hereinafter: MCET) and the Foundation Open Society – Macedonia (hereinafter: FOSM) decided to focus this report on EU financial assistance, i.e., to analyse the famous Instrument for Pre-accession Assistance (IPA) and the so-called Community Programmes. Reasons for developing and publishing an accession watch report on EU’s financial assistance to Macedonia at this moment in time are multi-fold and are elaborated in detail later in this document.

First, in December 2011, the European Commission (hereinafter: EC) published the Proposed Regulation for the Instrument for Pre-accession Assistance (IPA II) for the period 2014-2020. Its publication marked the official start of consultations with stakeholders, i.e., with beneficiary

countries of the new Instrument<sup>1</sup>. In addition to governments of states, opinions and views are expected and welcomed from all other societal actors - future beneficiaries - such as: political parties, administration bodies, local governments, youth, trade unions, media, and even civil society organizations.

To present, IPA II has not been discussed in Macedonia, although other countries<sup>2</sup> have organized discussions and are pushing for certain solutions to be incorporated therein. Fortunately, 2012 agenda of the National Council for European Integration (hereinafter: NCEI)<sup>3</sup> at the Parliament of the Republic of Macedonia anticipates a public hearing on IPA's utilization in the country, and the present report might serve as 'food for thought' in developing argument-based discussions on this important issue.

Otherwise, EU has long started discussions and consultations for the new financial perspective 2014-2020, where the Instrument for Pre-accession Assistance is just a small portion of the seven-year financial framework. The Proposed Regulation for the new Instrument for Pre-accession Assistance (called Integrated IPA)<sup>4</sup> was an agenda item at the European Parliament, which on 11 April 2012 organized a public hearing on this topic. MCET was invited to contribute to this event.

Second, it seems that the public started raising legitimate questions about Macedonia's extensive loan- and credit-taking practices. Unclear is why Macedonia takes loans when funds that were made available and secured from EU funds (IPA and Community Programmes)<sup>5</sup> remain unused, although they have been awarded in the form of non-refundable grants. Recently, this topic has been discussed in different formats (public debates<sup>6</sup>, round tables, hearings, conferences, etc.), which is another proof that now maybe the right time to analyse the manner in which Macedonia uses and benefits from these significant amounts of funds.

Finally, third reason for analysing EU assistance for our country is the fact that in Macedonia the media rarely dare to report on utilization of EU funds. In December 2011, MCET organized 4 seminars with journalists on the topic "European Integration of the Republic of Macedonia" and almost all participants agreed that they do not understand EU's financial instruments and programmes.

This is one of the reasons why there are only few reports on this issue published by media outlets in Macedonia. Albeit the affair on abuse of EU funds by the National Agency for European Educational Programmes and Mobility (duly addressed in our previous Accession Watch Reports<sup>7</sup>), the media have made little - if any - effort to analyse IPA-related matters in Macedonia.

<sup>1</sup> Bosnia and Herzegovina, Montenegro, Turkey, Macedonia, Kosovo, Serbia, Albania, Iceland and the Turkish part of Cyprus.

<sup>2</sup> Serbia has prepared several studies and is pushing several proposals in Brussels. For example, Serbia is advocating for the new Instrument to allow the possibility for funds that have not been used by the countries marked by lower absorption capacity to be re-directed towards countries with greater absorption capacity. Moreover, Serbia requested access to the Structural Funds, which are reserved exclusively for EU Member States.

<sup>3</sup> <http://www.sobranie.mk/WBStorage/Files/UsvoenplannaaktivnostiNSEIzarealizacijaoktomvri2011oktomvri2011.pdf>

<sup>4</sup> [http://ec.europa.eu/europeaid/how/finance/documents/prop\\_reg\\_instrument\\_pre-accession\\_assistance\\_en.pdf](http://ec.europa.eu/europeaid/how/finance/documents/prop_reg_instrument_pre-accession_assistance_en.pdf)

<sup>5</sup> From the next financial perspective and in compliance with the Lisbon Treaty, these programmes will be called Union Programmes.

<sup>6</sup> MCET and FOSM organized two public debates on the topic "Where is the European money" on 20 and 21 December 2011, in Bitola and Prilep. Citizens who attended these debates raised many questions. For more information, please visit the websites: <http://www.soros.org.mk/> and <http://mcet.org.mk/>.

<sup>7</sup> See also the Fifth Quarterly Accession Watch Report titled "Who needs a Parliament?" pg. 68. The report is available on the websites of both organizations: <http://soros.org.mk/dokumenti/petti-izvestaj-MK-za-web.pdf>



Even in cases where they dare to report on money issues, the media pursue rather superficial approach thereto and often present inaccurate data. Evidence that media outlets do not understand EU financial assistance can be found in already published stories/articles. For example, on 23 February 2009, Republic of Macedonia signed three Financing Agreements with the European Union, in total amount of 41.72 million EUR, those being: 1) 2008 National IPA Component I, in the amount of 37.12 million EUR; 2) Cross-Border Cooperation Programme with the Republic of Greece, in the amount of 3.6 million EUR; and 3) SEE Transnational Cooperation Programme, in the amount of around 1 million EUR. On that occasion, the Secretariat for European Affairs (hereinafter: SEA) organized a press conference, but media reported on completely different figures as regards EU financial assistance for Macedonia. Odd, but true, in their respective reports from one and the same press-conference, daily *Dnevnik* indicated that funds awarded to Macedonia amount to 43.96 million EUR, then-existing daily *Spic*, dailies *Vreme*, *Nova Makedonija*, *Vecer*, *Vest* and *TV Alfa* claimed it was a matter of 40 million EUR, former *TV A1*, *MTV* and *TV Alsat* reported an amount of 44 million EUR, while *TV Telma* operated with two figures: 37 and 40 million EUR.

Hopes are that this analysis will trigger public debate and will contribute for Republic of Macedonia to, at last, develop its position about the new Instrument for Pre-accession Assistance. This report's title "IPA-minding" is not chosen by accident, as it concerns the fact that Macedonia, instead of building its capacity and benefiting from non-refundable assistance granted from EU and aimed to support reforms in the country, behaves as if EU money is of no importance whatsoever. This might be the reason behind the plan-less programming and spending of EU assistance, while loans and credits taken from financial institutions are rapidly increasing in amounts.

## 1. HOW ARE EUROPEAN FUNDS ORGANIZED?

EU's budget is defined in seven-year cycles called financial perspectives. Reason thereof is simple: to gain actual image on what has been achieved, because results are measurable after seven years. For that purpose, EU first defines priorities (goals), and then determines indicators<sup>8</sup> against which it will measure results attained. With this in mind, the European Commission develops relevant instruments needed for attainment of goals defined. These indicators secure a control system (checks and balances), i.e., they verify whether EC has realized the budget in cost-effective manner and identify possible problems, where they do exist, in order to be adequately addressed and eliminated under the next financial perspective. Every euro spent must be accounted for and directly related to one of the three goals set by the Council and the European Parliament (hereinafter: EP).

EU's current financial framework covers the period 2007-2013 and is the fourth consecutive financial perspective<sup>9</sup>. Funds from this financial framework are intended for "sustainable growth, competitiveness and new jobs". What does that mean? Answer thereto should be sought in the three goals defined under the so-called revised Lisbon Strategy.

First goal reads: "to improve the attractiveness of MemberStates,

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<sup>8</sup> Indicators defined in the Lisbon Agenda are: by 2010, MemberStates will invest 3% of GDP in research and development, attain employment rate of 70% (60% for women and 50% for older persons), reduce unemployment rate below 7% and achieve annual GDP growth of 3%.

<sup>9</sup> The financial framework was first introduced by Jacques Delors for the period 1988-1992 and focused on completing the internal market and the multiannual framework programme for research and development. The second financial framework (1993-1999) focused on social cohesion policy and introduction of the EURO, while the third financial framework (2000-2006) focused on EU enlargement.

*regions and towns, by improving accessibility, providing adequate quality of services and environmental protection*". This means that EU will invest in expanding and modernizing transport networks, enhancing synergies between environmental protection and economic growth and will address the issue of intensive use of traditional energy sources in Europe.

EC will deliver the second goal – *to stimulate innovation, entrepreneurship and knowledge-based economy, through research and innovation, including new Information and Communication Technologies (ICTs)* – by increasing and improving investments in research and technology development, supporting innovations and entrepreneurship, promoting information society for all and improving access to finances.

Third and equally important goal reads – *to create more and better jobs* – and will be realized by attracting and keeping people in employment, modernizing social protection systems, improving flexibility of workers and companies on the labour market, greater investments in human capital, better education and better skills, increasing administrative capacity of MemberStates and providing support to maintain healthy labour force.

In order to deliver these goals, EC has designed two types of instruments: those intended for MemberStates and the so-called External Aid Instruments. First group of instruments includes: European Regional Development Fund, Cohesion Fund, European Social Fund, European Agricultural Fund for Rural Development, European Agricultural Guarantee Fund, European Fisheries Fund and Community Programmes<sup>10</sup>.

External Aid is organized in three groups of instruments. First group is defined as geographic instruments and includes 5 instruments: Instrument for Pre-accession Assistance (IPA), European Neighbourhood Policy Instrument (ENPI), Development Cooperation Instrument (DCI), European Development Fund (EDF) and Instrument for Cooperation with Industrialized Countries.

Second group of instruments are the so-called horizontal or topical instruments, which are three in number: Instrument for Stability<sup>11</sup>, European Community Humanitarian Office (ECHO) and Macro-Financial Assistance<sup>12</sup>.

Third group of instruments are the so-called thematic instruments and programmes, and Macedonia is familiar with the European Instrument for Democracy and Human Rights (EIDHR).

All these financial instruments, including IPA, are intended to fulfil goals from the revised Lisbon Agenda. Otherwise, the Instrument's name indicates the purpose: to support candidate countries in the pre-accession process. Compared against the previous financial instrument (2000-2006), known as Community Assistance for Reconstruction, Development and Stability (CARDS), one can see that comments made

<sup>11</sup> Instrument for Stability supports civil measures and developmental activities, such as response projects in situations of crisis or emerging crisis that is perceived as threat to democracy, law and order. It replaces the Rapid Reaction Mechanism, but also includes other activities such as rehabilitation and reconstruction, internally displaced people or land mines. Instrument for Stability provides assistance in context of unstable situations that threaten law and public order, security and protection of individuals, critical infrastructure and public health. Most frequent threats are identified in international terrorism, organized crime, trafficking in drugs, arms and explosives. A closer study of this instrument that was first introduced in 2007 provides the conclusion that it is very similar to our Framework Agreement.

<sup>12</sup> Introduced in 1990 and now defined as Instrument for Economic Stability and Structural Reforms, it provides long-term loans, grants and combination of grants and loans for the beneficiary countries.

<sup>10</sup> Annex 1 to this report provides an overview of all Community Programmes financed under the current financial perspective 2007-2013.

by Western Balkan countries were given due consideration in the IPA design. Namely, CARDS beneficiary countries remarked three aspects of this instrument, those being: a) smallest portion of funds were allocated for development, compared to funds allocated for reconstruction and stability<sup>13</sup>; b) total amount of funds allocated under CARDS were insufficient to deliver expected results; and c) CARDS was limited in terms of the possibilities it offered.

## 2. MOMENT OF PARTNERSHIP AND COOPERATION

Partnership and cooperation between Western Balkans and EC is best mirrored in the process on designing IPA. When adopting the IPA Regulation and IPA Implementing Rules, EC consulted all stakeholders, which in this case are beneficiary countries from Western Balkan and Turkey (governments and administrations).

Guided by above-indicated remarks, EC made the necessary adjustments in order to address requests put forward by beneficiary countries. As regards allocation of more funds, from the very beginning of financial assistance programming EC included the beneficiary countries in the process. Namely, in order to better programme developmental projects, EC required beneficiary countries to have drafted and adopted two important documents: National Development Plan and Pre-accession Economic Programme, which are later used as basis for identification of projects that would lead to high growth in the country.

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<sup>13</sup> Given that CARDS covered the period 2000-2006, it was logical for most funds to be invested in reconstruction of demolished countries and to stop the crisis by increasing stability (integrated border management, cooperation between judges and prosecutors, fight against corruption, organized crime, money laundering and terrorism).

As regards the second request put forward by Western Balkans, total amount of funds allocated under the Instrument was significantly increased. Hence, if CARDS allocated around 4.65 billion EUR for the period 2000-2006 and was intended only for Western Balkan countries, IPA allocates around 11.5 billion EUR, but in addition to Western Balkans, it also targets Turkey (and Iceland).

As regards possibilities offered by these two instruments, fact is that IPA offers more compared to what CARDS had offered. CARDS was implemented by means of 4 types of contracts (services, procurements, construction works and grant-schemes), however, IPA may *“inter alia, finance investments, procurement contracts, grants including interest rate subsidies, special loans, loan guarantees and financial assistance, budgetary support and other forms of budgetary aid, and the contribution to the capital of international financial institutions or the regional development banks... as well as to cover the costs of Community’s participation in international missions, initiatives or organizations in the interest of the beneficiary country”*<sup>14</sup>.

Despite obvious improvements made to this financial instrument, results are still missing. As regards development programmes and projects, Republic of Macedonia has still not adopted its National Development Plan (hereinafter: NDP), while poor quality of the Pre-accession Economic Programme (hereinafter: PEP) was remarked in EC’s Progress Reports published for the last five years.

NDP’s story, unfortunately, speaks of (non)commitment on the part of the Government of the Republic of Macedonia. As early as 2006, in the midst of IPA consultations, UNDP offered the then-current Government assistance for NDP preparation, which should have served as *“the Bible”* for developmental programming in Macedonia. The Government

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<sup>14</sup> Article 15 from the IPA Regulation.

accepted the helping hand and the first National Development Plan 2007-2009 was prepared. Unfortunately, change of government brought VMRO-DPMNE to power and the new Government decided that NDP does not contain the ruling party's one hundred steps (Election Program) and decided to develop new NDP.

NDP's story is quite unfortunate. First, preparation of the new document was financed by the Budget, rather than grants. Draft NDP was prepared and titled "*Macedonia – National Development Plan 2008-2013, (working version), Prosperous Economy, Better Quality of Life for All*".<sup>15</sup> It was uploaded on the Government's website and was accessible until early 2010 when it was removed therefrom. To present, no information is provided about funds spent for a document that remained only a draft, let alone about its authors.

On the other hand, analysis of NDP brings to light some scandals related to the document's contents. For illustration purposes, under the section that justifies the need for the country to adopt a solid Bankruptcy Law that would guarantee easy market entry and exit for companies, authors of this infamous document stated: "*Public's attitude towards bankruptcy and liquidation, i.e., towards bankruptcy announcement is one of the barriers that prevents fast market exit for companies. In Ancient Rome, punishment for bankruptcy announcement was slavery or death, as chosen by the creditor. In the Medieval Age, behaviour towards insolvent debtors has softened and thus, in Italy, bankrupted entities sanctioned themselves and exclaimed in front of the masses 'Banka rotta'. In England, debtors were imprisoned or had one of their ears cut*".<sup>16</sup> It is interesting to note one of the goals defined in the section on demographic policy: "*to reduce the*

*number of single people*".<sup>17</sup> Given the likelihood of the fact that VMRO-DPMNE does not plan to allow same-sex marriages, in practice this would mean that it plans to levy higher taxes for citizens who decide to live out of wedlock, although the ruling party vehemently negated such intentions two and half years ago when the public first learned about their intent.

Be that as it may, Republic of Macedonia has still not adopted NDP, and therefore state administration's difficulties in programming IPA funds do not surprise. Not even the best state administration in the world can compensate the absence of vision on the part of the Government. Furthermore, another disappointing story identified with the analysis is the absorption capacity. When it comes to spending IPA funds, EC's effort to develop a much better instrument were to no avail, in particular knowing that possibilities offered remain unutilized in reality, i.e., knowing that IPA is used as if it were CARDS.

### 3. WHY FIVE COMPONENTS?

When designing new instruments (in this case - IPA), EC pursues mandatory evaluation of previous instruments (CARDS) and defines "lessons learned", in order to make necessary corrections and to avoid repetition of mistakes. Application of CARDS resulted in several lessons learned, most important ones being: a) limited administrative capacity of beneficiary countries; b) no project ownership by beneficiary countries; c) lack of finances; and d) absence of strategic framework, as well as issues with poor coordination of donors.<sup>18</sup>

<sup>15</sup> MCET downloaded the document when it was still available on the Government's website.

<sup>16</sup> National Development Plan 2008-2013, (working version), pg. 20.

<sup>17</sup> National Development Plan 2008-2013, (working version), pg. 67.

<sup>18</sup> Multiannual Indicative Planning Document 2007-2009 for the Republic of Macedonia, from February 2007, pg. 8

A major obstacle that resulted in halted implementation of CARDS projects was the incompatibility of instruments, especially in regard to cross-border cooperation, which was partly due to political developments at the time when CARDS was designed<sup>19</sup>. Namely, cross-border cooperation was part of Regional CARDS, and was therefore managed in Brussels. Incompatibility of instruments was also seen in Macedonia. Macedonia neighbours with: Bulgaria, which at that time was an acceding country; Albania, which had the same status as Macedonia; Greece, which was EU Member State; and Serbia, i.e., Kosovo. On the account of political events, funds intended for cross-border cooperation with our northern neighbour were inaccessible, which later proved to be true also in regard to cross-border cooperation with other neighbouring countries, although problems were not of political nature.

Incompatibility of instruments took its toll. In simple words, the CARDS Regulation did not “mix” funds with PHARE<sup>20</sup>, which financed cross-border cooperation projects with Bulgaria, or with INTERREG<sup>21</sup>, which was the instrument used to finance cross-border projects implemented by Greece.

From this reason, transfer from one group of states to another and accompanying replacement of one group of funds with another became a major issue and consumed too much time to enforce required changes, but also to build capacities for new instruments. Croatia’s case provides a good example thereof. Croatia, in the capacity of potential candidate country, benefited from CARDS, but at the moment when it was awarded candidate

country status, it entered the group of states<sup>22</sup> that benefited from PHARE, ISPA<sup>23</sup> and SAPARD<sup>24</sup>.

Accession experiences of countries from Central and Eastern Europe, which became MemberStates in 2004, had to be taken into consideration as well. It was shown that transfer from pre-accession instruments to funds intended for MemberStates, especially to Structural and Cohesion Funds, was not as easy as initially anticipated. MemberState status of these countries opened up new jobs in Brussels and most of them were recruited from the line of civil servants who previously acted as accession negotiators and whose capacities were regularly upgraded. This caused a significant setback in terms of public administration capacity, which in practice implied the need for new round of capacity building in new MemberStates, with a view to increase absorption of money made available under these funds. Moreover, Structural and Cohesion Funds provided more finances compared to pre-accession instruments.

In its attempt to design better instrument, EC made due consideration of these problems and issues. Hence, in addition to administrative capacity, which will be strengthened also after EU membership, the new instrument (IPA) addresses the problems in the following manner: a) project ownership is guaranteed by means of co-financing requirements for beneficiary countries; b) lack of funds at beneficiary countries is resolved by multitude of possibilities offered under IPA<sup>25</sup>, including investments and budgetary support; c) absence of strategic framework and poor coordination of donors are resolved by the requirement for beneficiary countries to have prepared

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<sup>19</sup> CARDS covered the period 2000-2006 and at the time of its design, Western Balkan states had no “European” future, i.e., they were not seen as future members of EU. European future of Western Balkans became reality in December 2002 on the European Summit in Copenhagen.

<sup>20</sup> PHARE – Poland and Hungary Assistance for the Reconstruction of their Economy, which was part of EU’s pre-accession assistance for candidate countries.

<sup>21</sup> INTERREG is a Community Initiative under the financial framework 2000-2006 and made available only to Member States.

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<sup>22</sup> At that time candidate countries were Slovenia, Hungary, Bulgaria, Romania, Czech Republic, Slovakia, Poland, Latvia, Lithuania and Estonia.

<sup>23</sup> ISPA - Instrument for Structural Policies for Accession, which – *inter alia* – finances infrastructure projects.

<sup>24</sup> SAPARD – Special Accession Programme for Agriculture and Rural Development

<sup>25</sup> See above and Article 15 from the IPA Regulation.

National Development Plans and Pre-accession Economic Programmes; d) incompatibility of regulations/instruments was also duly considered and therefore cross-border cooperation is no longer part of Regional Programmes, but is incorporated in National Programmes; e) weakened administration after EU accession is addressed by opening the accession process to other actors in society, such as civil society, business sector, academia, etc.; and f) transition from one group (potential candidate country) to another (candidate country) is resolved by introducing five components, whereby all countries - irrespective of their status - can benefit from one and the same instrument that requires same type of administrative and institutional capacity.

Therefore, IPA is comprised of five components:

- 1) *Transitional Assistance and Institution Building* – aimed to build democratic institutions and work towards fulfilment of political criteria for EU membership; use of “transitional” here means “transition from candidate country to EU MemberState”;
- 2) *Cross-Border Cooperation* – aimed to support regional cooperation and preparations for the European Regional Development Fund, once the country is granted membership; this component will contribute to fulfilment of requirements for establishment of successful regional cooperation that is defined as commitment in the Stabilization and Association Process;
- 3) *Regional Development* – aimed for policy making (infrastructure and environment), but also necessary preparations for implementation and management with ERDF and the Cohesion Fund, once the country is granted membership; this component also will contribute to fulfilment of economic criteria from Copenhagen;
- 4) *Human Resource Development* – aimed for policy making (human capital), but also necessary preparations for implementation and management of the European Social Fund, once the country is granted membership; this component also contributes to fulfilment of commitments stemming from Copenhagen membership criteria, i.e., legal and, to certain extent, administrative requirements from Madrid;
- 5) *Rural Development* – aimed for policy making (agriculture), but also necessary preparations for implementation and management of the European Agriculture and Rural Development Fund, once the country is granted membership; this component contributes to fulfilment of legal criteria from Copenhagen, in particular knowing that almost one-third of EU *acquis* concerns agriculture and environmental protection.

However, not all beneficiary countries need capacity-building for all five components. In case of candidate countries, likely is that they will become Member States, while this is not the case for potential candidate countries. Therefore, potential candidate countries are granted access to first two components, while candidate countries are granted access to all five components.

IPA’s main goal is to assist beneficiary countries in their efforts to align with EU standards and policies, including EU *acquis*, during their accession process. In other words, with IPA support, these countries have to fulfil EU membership criteria (political, economic and legal criteria from Copenhagen), notably by enhancing their administrative capacity and by making preparations for sound programming, management and implementation of Structural and Cohesion Funds, once they are granted status of Member States.



## 4. DECENTRALIZED MANAGEMENT

Closer a country is to EU, greater independence it has in spending EU assistance and greater capacity it has for financial assistance management. EU financial assistance is implemented by: a) centralized management (EC manages the financial assistance); b) decentralized management (beneficiary country manages financial assistance awarded to it); c) shared management; and d) delegated management. IPA's goal is to achieve fully decentralized management, i.e., decentralized contracting, grant awarding and payment with *ex-post*, instead of *ex-ante*, controls. Access to Components III, IV and V is given only in case of decentralized management system. In other words, in addition to the candidate country status, beneficiary countries must also establish adequate institutions, obtain accreditation and finally, they must be conferred with management powers<sup>26</sup>. Below is the analysis of these institutions, accompanied by brief explanation of reasons for their establishment.

Decentralized management of IPA funds was established to enable beneficiary countries to directly manage funds. IPA funds will be managed in decentralized manner as soon as possible, i.e., as soon as required legal, administrative and institutional preconditions are in place, and through an accreditation process. Under decentralized management of IPA, EC confers management of certain actions to the beneficiary country, but retains overall final responsibility for general budget execution. Decentralized management covers tendering, contracting and payments.

<sup>26</sup> Terminology used in this section is not standardized considering the fact that it was never translated into Macedonian language. The overall decentralized management system is stipulated in details in IPA Implementing Rules. Therefore, in order to avoid any confusion, the present report will include both terms, the original from the Regulation and its Macedonian equivalent, as translated by the authors: [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/L\\_170/L\\_17020070629en00010066.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2007/L_170/L_17020070629en00010066.pdf)

Before deciding to confer management powers related to component, programme or measure, EC requires the beneficiary country to have fulfilled the conditions referred to in Article 56(2) of the Regulation (EC, EUROATOM) No. 1605/2002, in regard to management and control systems established, as well as to ensure that national accreditations are adopted and in force. These concern accreditation of *National Authorizing Officer, National Fund* and *Operating Structure*. Before the final conferral of management powers, EC again reconsiders national accreditations, procedures and structures at all national authorities and bodies from IPA management structure.

Decision to confer IPA management powers per IPA Component/ Programme defines the list of *ex-ante* controls to be performed by EC and related to tendering of contracts, launch of calls for proposals, as well as awarding of grants and contracts.

Depending on the Component or Programme in question, *ex-ante* controls will be used until EC issues an approval for management without *ex-ante* controls, in compliance with Article 18 of the Commission's Regulation (EC) No. 718/2007 (IPA Regulation).

In cases of decentralized management without *ex-ante* controls, IPA management will be subject of *ex-post* controls, which means that IPA is used in fully decentralized manner.

Republic of Macedonia's ultimate goal is to manage IPA in fully decentralized manner without *ex-ante* controls. Conferral of management powers for IPA without *ex-ante* controls will be performed on individual basis, per Component.

Before dispensing with *ex-ante* controls in implementation of IPA, as laid down in EC's Decision on conferral of management powers, the beneficiary country must demonstrate fulfilment of conditions related to effective functioning of the management and control system. In other words, EC will monitor project implementation by the beneficiary country in compliance

with the roadmap and may phase out different types of *ex-ante* controls. In this process, EC will make due consideration of results achieved by the beneficiary country.

Better understanding of system clogs can be gained by reviewing national authorities established by the Republic of Macedonia.

*Competent Accrediting Officer (CAO)* – high-ranking officer in the Government or the state administration, responsible for issuing, monitoring and suspending or withdrawing the accreditation of the National Authorising Officer (NAO), who is also the Head of the National Fund (NF) and is fully responsible for financial management of EU funds in the country, and is responsible for the legality and regularity of underlying transactions.

Prior to accrediting NAO, CAO checks whether the conditions referred to in Article 11 from IPA Implementing Rules are fulfilled, as follows: control of environment, risk management, control of activities (interventions), monitoring and communication.

*National Authorising Officer (NAO)*<sup>27</sup> is also high-ranking governmental officer and Head of the National Fund, who guarantees effective functioning of management and control systems for EU funds, as well as the legality and regularity of underlying transactions. NAO prepares and submits to EC certified statements of expenditure and payment applications, and is responsible for accuracy of payments made to Operating Structures or final beneficiaries; verifies co-financing elements; ensures identification and immediate communication of any irregularity and acts as contract point for exchange of financial information between EC and Macedonia.

*National Fund (NF)* is the body established at the Ministry of Finance's Treasury Department, which is comprised of two units responsible for transfer of IPA funds in the Republic of Macedonia. This body is conferred

with budgetary competences and acts in the capacity of central treasury. It is responsible for financial management tasks conferred to NAO, especially in regard to: organizing and managing bank accounts, requesting funds from EC, authorizing the transfer of funds from EC to Operating Structures or final beneficiaries, and submitting financial reports to EC. Mr Fatmir Ademi is the Head of the National Fund.

*National IPA Coordinator (NIPAC)* is high-ranking governmental officer<sup>28</sup> responsible for overall coordination of IPA assistance, who ensures partnership between EC and the Government and close link between general accession process and use of IPA assistance. NIPAC is the ultimate point of responsibility for coherence and coordination of programmes, as well as annual programming for IPA Components I and II. NIPAC is tasked to develop annual and final reports on IPA implementation, which - after examination by IPA Monitoring Committee - are submitted to EC. Copies of these reports are submitted to NAO.

NAO – in consultation with NIPAC - appoints *Programme Authorising Officers (PAO)* as heads of Operating Structures. From the line of state administration officers, PAOs appoint *Senior Programme Officers (SPOs)*, who are responsible for technical and operating aspects at line ministries and assist PAOs for solid and timely preparation and implementation of technical level operations. SPOs are tasked with coordination within individual priority axes in the beneficiary country (see later in the report).

*IPA Coordinator* is officer appointed at the line ministry or beneficiary institution under Components II, III and IV, and responsible for technical aspects of project implementation at the ministry or institution.

*Strategic Coordinator* ensures coordination between Component III and IV and is the entity within the state administration responsible for drafting

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<sup>27</sup> In Republic of Macedonia, the National Authorizing Officer is the State Advisor, Suzana Stoimceva.

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<sup>28</sup> NIPAC is the Vice President of the Government of the Republic of Macedonia responsible for European Integration, Ms. Teuta Arifi.



the strategic coherence framework and coordination between sectoral strategies and programmes. In Macedonia, the Minister of Finance - Zoran Stavreski - is appointed Strategic Coordinator.

*Operating Structures* are established for each IPA Component or Programme and are intended to manage and implement IPA assistance. These are bodies or collection of bodies within the public administration that perform following activities: drafting annual and multiannual programmes, monitoring programme implementation and guiding the work of Sectoral Monitoring Committee (SMC), by providing documents necessary for monitoring, drawing up sectoral annual and final reports, and – after their examination by SMC – submitting them to EC, NIPAC and NAO. Operating Structures make arrangements for tendering procedures, grant-awarding procedures and ensure that all bodies involved in implementation of operations maintain a separate accounting system. They submit all expenditure information required by NF and NAO, establish, maintain and update the reporting and information system, and ensure internal audit.

*Central Financing and Contracting Department* (CFCD) is the sector within the Ministry of Finances that is the leading body of Operating Structures for IPA Components I to IV, under the decentralized management system in Macedonia. In the capacity of competent authority for contracting, CFCD has key responsibilities related to tendering, contracting and payments to projects financed by IPA. At the same time, CFCD's head<sup>29</sup> is appointed Program Authorizing Officers for IPA Components I and II, as well as Head of Operating Structure (HOS) for IPA Components III and IV. Tasks pertaining to programming, technical implementation and monitoring contract-performance are delegated to line ministries/institutions by means of an operating contract signed by PAO/HOS and Senior Programme Officers/IPA Coordinators.

*Audit Authority* is an entity independent from other management and control structures. It is established within the State Audit Office (SAO) of the Republic of Macedonia, in compliance with EU requirements on audit authorities for EU assistance. Audit Authority complies with internationally accepted standards and is responsible for verifying the effective and sound functioning of management and control systems. It works pursuant to annual audit work plan, approved by NAO and EC before the start of the relevant calendar year. Audit Authority prepares annual audit reports, annual opinion and opinion on any final statement of expenditure.

*Sectoral Monitoring Committee* (SMC) is established by the Strategic Coordinator for Components III and IV, and as of recently for Component I on Institution Building. SMC is co-chaired by the Strategic Coordinator, Zoran Stavreski, and EC's representative. Other members can participate in Committee's work, such as NIPAC or person appointed by him/her, representative from EC, Strategic Coordinator for Components III and IV, representatives from all bodies of Operating Structures (CFCD's monitoring unit, MES, MLSP and SEA), civil society representatives and social partners, NAO and representative from NF. This committee is assisted by two standing secretariats, i.e., IPA units at the Ministry of Education and Science and at the Ministry of Labour and Social Policy.

As it is a candidate country from 2005, Republic of Macedonia has access to all five components from the very beginning of IPA implementation (i.e., 2007), while decentralized management and conferral of management powers was obtained gradually, i.e., component by component. Analysis of individual IPA Components also addresses the issue of decentralized management under each IPA Component.

<sup>29</sup> Responsible officer at CFCD is Ms Radica Kocева.

## 5. PROGRAMMING VERSUS PROJECTS

When media report on IPA or, in general, on EU funds, often it is said that Macedonia lacks solid projects in order to obtain funding. Unfortunately, this claim shows the misunderstanding of the Instrument for Pre-accession Assistance's essence and the manner in which it relates to reforms in the country. It is not projects that are submitted for support with EU funds, but rather funds are programmed as several-year cycles and are always closely related to reforms. In other words, when beneficiary countries do not absorb funds made available to them, consequences thereof are not solely identified in the failure to use non-refundable assistance granted, but also indicate that national reforms are in standstill!

Programming EU funds is pursued in several stages, those being: 1) setting the amount of funds made available to all beneficiary countries, per component and per year (or developing the so-called *Multiannual Indicative Financial Framework (MIFF)*)<sup>30</sup>; 2) identification of priority areas (or developing the so-called Multiannual Indicative Planning Documents (MIPDs)) that cover three-year period and are revised on annual basis; 3) preparation of Operational Programmes per IPA Component; 4) consultations in Brussels with all Directorates General; 5) request for approval by Member States at the level of IPA Committee; 6) adoption by EC; 7) signing Financing Agreements; and 8) tendering projects.

Another important rule that must be duly considered prior to start of programming activities is 'n+2', which applies to Components I and II, and 'n+3', which applies to Components III, IV and V, where 'n' is the

programming year (year when budgeting commitment is assumed). In practice, this means that money should be disbursed or spent two (or three) years later from the year when the financial commitment was assumed, or they will be lost. In other words, deadline before the so-called "de-commitment"<sup>31</sup> was the end of 2009 for projects programmed in 2007 and related to IPA Components I and II, i.e., the end of 2010 for project planned under IPA Components III, IV, and V. Beneficiary countries have an additional possibility to "save" inactive funds by using the so-called pre-financing, which in reality is advance payment<sup>32</sup>.

Diagram below shows the programming process for EU pre-accession assistance from the enlargement package. Clear is that the process includes three different levels of decision-making and every level is preceded by consultations with stakeholders (governments, civil society and MS). Thus, in Macedonia, the Delegation of the European Commission organizes consultations with the civil society at least twice (or three times, when needed): first round of consultations are organized for MIPD and second round is organized for the Operational Programme for IPA Component I. In recent years, these consultations are organized together with the Department for Cooperation with Civil Society at the General Secretariat of the Government of the Republic of Macedonia.

<sup>30</sup> Revised Multiannual Indicative Financial Framework: Breakdown of the Instrument for Pre-accession Assistance Envelope for 2012-2013 into allocations by country and component at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0641:FIN:EN:PDF>

<sup>31</sup> So-called "de-commitment" is stipulated under Article 137 from the Regulation No. 1605/2002.

<sup>32</sup> Article 42 from the Commission Regulation (EC) No. 718/2007 of 12 June 2007 implementing Council Regulation (EC) No. 1085/2006 establishing an Instrument for Pre-accession Assistance (IPA)

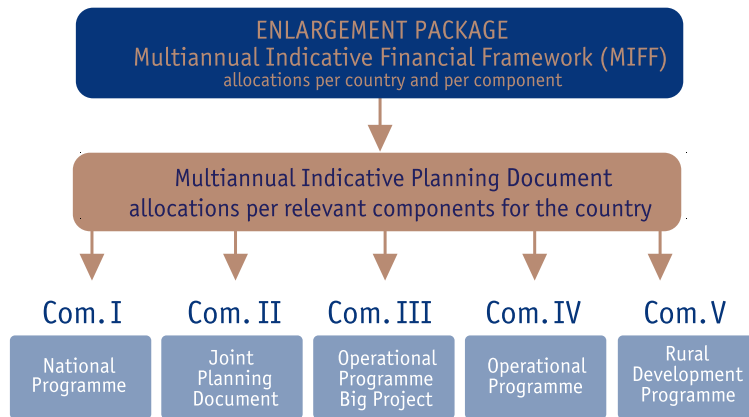


Figure I-1 – Components of the Enlargement Package

After the breakdown of total funds per country and per component (MIFF), MIPD is probably the most important document, notably because it defines the sectors to be financed under the framework. This document covers a three-year period and sets political priorities for funding. It is considered to be “the Bible” for IPA programming and spending, which in practice means that a project cannot be financed if it has not been referred to in MIPD as problem issue that requires attention. For example, if MIPD does not refer to, for example, SMEs, then neither EC nor the Government have legitimacy to conceptualize projects aimed to enhance and promote SMEs. Therefore, it is of utmost importance for the Government (and other parties consulted) to thoroughly analyse MIPD prior to its adoption by EC.

So far, EC has adopted 4 MIPDs for Macedonia and they concern different time frameworks (2007-2009, 2008-2010, 2009-2011 и 2011-2013)<sup>33</sup>. In

<sup>33</sup> [http://ec.europa.eu/enlargement/pdf/mipd\\_fyrom\\_2007\\_2009\\_en.pdf](http://ec.europa.eu/enlargement/pdf/mipd_fyrom_2007_2009_en.pdf)

average, MIPD is 40 to 60 pages long and the Government did not make efforts to translate any of these documents. The reason for this practice, in particular knowing that the Budget of the Republic of Macedonia includes a significant budget item for translation of books (instead of EU Directives, Regulations and other legislative acts), is known only to the Government<sup>34</sup>.

Once MIPD is adopted, the process of adopting Operational Programmes for all IPA Components starts. Operational Programme for IPA Component I is comprised of several project proposals (also called project fishes), which provide clear image about the sectors, relevant amounts and project holders. Individual OPs are developed for all programming years (‘n’ year). So far, OPs have been developed for the years 2007, 2008, 2009, 2010 and 2011, while OPs for the years 2012 and 2013 are being drafted at the moment.

In the case of IPA Component II, OPs are developed for each country that neighbours with Macedonia (Greece, Albania and Bulgaria)<sup>35</sup> and cover the period 2007-2013. OPs with Kosovo and Serbia are being drafted at the moment, due to known political reasons.

As for IPA Component III, the Operational Programme for Regional Development of the Republic of Macedonia 2007-2009 was developed in October 2007<sup>36</sup>, and the new document that will cover the period

<sup>34</sup> MIPD 2007-2009 was translated for the needs of training workshops organized and delivered by MCET. The translated document was offered to the Government of the Republic of Macedonia, together with the translation of the IPA Regulation, however due to reasons not made known to us, the Government refused both translations.

<sup>35</sup> Until recently, Operational Programmes for Cross-Border Cooperation were uploaded on the website of the Ministry of Local Self-Government, but now the websites hosts only information on announced calls for proposals: <http://mls.gov.mk/mk/cont/?v=F329ADA8C76352CA489AC5D6FD2A48173355239A>

<sup>36</sup> Our institutions do not provide link to the Operational Programmes, so if one wishes to see programme contents, be it in English language, he/she should visit the website of the European Union: [http://ec.europa.eu/enlargement/pdf/the\\_former\\_yugoslav\\_republic\\_of\\_macedonia/ipa/mk\\_comp\\_3\\_programme\\_30\\_10\\_2007\\_en.pdf](http://ec.europa.eu/enlargement/pdf/the_former_yugoslav_republic_of_macedonia/ipa/mk_comp_3_programme_30_10_2007_en.pdf)

until 2013 is underway. First Operational Programme for Regional Development is approximately 150 pages long and to present has not been translated into Macedonian, let alone into Albanian language.

Operational Programme for Human Resource Development in the Republic of Macedonia (IPA Component IV) was also adopted in 2007 and covers the period 2007-2013<sup>37</sup>. This document is 172 pages long and has not been translated into Macedonian language. At the moment, this OP is being revised and hopes are that the Government will finally understand that these documents would only serve as decorum if they are not translated into the local languages in timely manner.

Almost identical is the situation with the Operational Programme for Rural Development (IPARD), i.e., IPA Component V. The Programme was adopted in early 2008 and covers the period 2007-2013. It is around 700 pages long and has not been translated, but at least it is uploaded on IPARD Agency's website<sup>38</sup>. On the other hand, there is no admissible justification on why this document has not been translated at least into Macedonian language, knowing that translation thereof was anticipated and financed by a CARDS project. According to responsible staff at the Ministry of Agriculture, Forestry and Waster Economy (MAFWE) the document's translation is not available due to the poor quality thereof. Readers should infer their own conclusion as to whether this justification is legitimate or not.

Unfathomable is the reason given by competent authorities for not wishing to promote Operational Programmes for all IPA Components and why they did not communicate contents thereof to relevant

stakeholders. This is particularly worrying for the OPs that cover the period 2007-2013 (namely: Cross-Border Cooperation, Human Resource Development and Rural Development), given that they have already conceptualized eligible projects for funding. Is there no interest to utilize EU money, and why? The present report was developed with a view to find answers to the questions raised here.

Matters become more complicated when we reconsider figures on both sides, i.e., funds utilized and funds non-utilized, as well as amounts made available to the Republic of Macedonia as early as the adoption of the Multiannual Indicative Financial Framework in 2007.

## 6. THE STORY BEHIND THE FIGURES

In order to gain better insight into Macedonia's absorption rate, one must first reconsider IPA financial allocations, per year and per country. First, the European Commission allocates funds for the so-called National IPA, which is defined per beneficiary country, and second, for the so-called Multibeneficiary IPA (also known as Regional IPA). Then, funds allocated for National IPA are broken down according to beneficiary country's population. As result, highest amounts of funds are allocated for Turkey, while lowest amounts are awarded to Montenegro. At first glance, funds allocation seems to be rather technical exercise, but closer look and thorough analysis of MIFF adopted in 2007 reveal Macedonia's unsuccessful story. Table below provides an overview of IPA funds per beneficiary country.

<sup>37</sup> This document is no longer available on the website of the Ministry of Labour and Social Policy, not even in English language, and can be found on the website of the European Union: [http://ec.europa.eu/enlargement/pdf/the\\_former\\_yugoslav\\_republic\\_of\\_macedonia/ipa/mk\\_comp\\_4\\_programme\\_9\\_11\\_2007\\_en.pdf](http://ec.europa.eu/enlargement/pdf/the_former_yugoslav_republic_of_macedonia/ipa/mk_comp_4_programme_9_11_2007_en.pdf)

<sup>38</sup> <http://www.ipard.gov.mk/mk/programa>

IPA (in million EUR)	2007	2008	2009	2010	2011	2012	2013
Croatia	141	146	151	154	157	160	163
Macedonia	59	70	82	92	98	105	117
Turkey	497	539	566	654	782	900	936
Bosnia and Herzegovina	62	75	89	105	107	109	112
Serbia	190	191	195	198	202	206	215
Montenegro	31	33	33	34	34	35	35
Albania	61	71	81	93	94	96	98
Kosovo	68	185	106	67	69	70	74
Regional IPA	109	136	166	144	180	175	190
Administration	45	52	48	53	75	81	85
<b>Total</b>	<b>1263</b>	<b>1498</b>	<b>1517</b>	<b>1594</b>	<b>1798</b>	<b>1937</b>	<b>2025</b>

Table I-1 - (MIFF) IPA financial framework, per country and per year

These figures enable us to infer several important conclusions. First, EC planned gradual increase of funds on annual basis and for all beneficiary countries, which is understandable given that in the first year of the financial perspective most activities will be focused on developing relevant strategic documents that would further facilitate project programming (for e.g., MIPD, National Operational Programmes for all IPA Components, etc.), as well as capacity building for utilization of a completely new instrument (IPA). However, for some countries increase of funds is lower compared to other beneficiary countries (for e.g., Montenegro and Serbia receive insignificant increase of funds compared to Macedonia and Turkey). What is the reason for this? Having in mind that MIFF was adopted in 2007, when EC expected

that Macedonia, in the capacity of candidate country, will develop its absorption capacities and after gaining access to IPA Components III, V and V (i.e., after the accreditation) will spend funds with faster dynamics. On the other hand, it seems that at that time EC had no expectations from Montenegro and Serbia, and therefore increase of funds for them was more linear.

This shows that in 2007, EC did not consider the fact that Montenegro and Serbia might be given candidate country status, while it expected greater progress and increased capacity from Macedonia, Albania, Bosnia and Herzegovina, and Turkey. Today, obvious is that EC's assumptions in 2007 were erroneous.

As regards Regional IPA, one can also note that throughout the period 2007-2013 financial allocations were doubled in their amount, which is mostly due to the fact that EC expected beneficiary countries to significantly improve their mutual cooperation and increase their absorption rates.

Situation with Kosovo is also interesting, especially when comparing figures given in the tables from MIFF's first version in 2007, where 125 million EUR were allocated for the year 2008 and only 66 million EUR were allocated for the year 2009. Such unusually high amounts were intended to support the implementation of Martii Ahtisaari's plan, which obviously cost more than initially anticipated. IPA allocations

raise another question: if Macedonia had truthfully pursued an EU Agenda, in particular knowing that it had (and still has) strong lobby group with almost all political entities of Albanians in Macedonia, unclear is why the Government waited for unreasonably long time to recognize Kosovo? MIFF's figures and the fact that Kosovo is among Macedonia's biggest trading partners should have been a good reason for Macedonia to immediately recognize Kosovo and thereby impose itself as leader in the region, be it only for this issue.

In order to gain comprehensive insight, one must also analyse financial allocations per IPA Component, as given in MIFF and shown in the table below.

IPA Component (in million EUR)	2007	2008	2009	2010	2011	2012	2013
Transitional Assistance and Institution Building	737	866	798	749	771	785	804
Cross-Border Cooperation	39	52	55	55	65	65	67
Regional Development	220	234	253	324	390	469	492
Human Resource Development	65	72	77	88	103	116	125
Rural Development	48	85	122	170	215	244	262

*Table I-2 - (MIFF) IPA financial framework, per component*

Several observations are obvious here. Highest amounts of funds were programmed under IPA Component I, notably because all beneficiary countries have access to funds from Components I and II. As regards Component III and - to some extent - Component IV, noticeable is gradual increase of funds in the period 2007-2013, which sometimes adds up to twice as many funds from the initial year.

Logic behind these figures is obvious: in the first two years, candidate countries are expected to work on developing Operational Programmes and capacitybuilding for potential final beneficiaries, and later they are expected to demonstrate greater absorption of funds. Unfortunately, in the case of Macedonia this has proved to be wrong. The present report analyses in detail the state-of-play under all IPA Components.

Another interesting situation was noted in regard to Cross-Border Cooperation, especially when comparing figures given in the first MIFF and the last MIFF. Namely, MIFF adopted in 2007, allocated 46 million EUR for the year 2007, 62 million EUR for the year 2008 and 66 million EUR for the year 2009. Compared to figures from Table 2 above, it can be concluded that around 10 million EUR were lost on average, which means that beneficiary countries did not use these funds, due to different reasons. This report analyses also the reasons that prevented Macedonia to effectively use financial assistance made available to it under this component.

## 7. WHAT ABOUT MACEDONIA?

This Accession Watch Report attempts to provide an overview on use of funds from EU's Instrument for Pre-accession Assistance, but also the Community Programmes where Macedonia participates. However, before analysing individual components, one must be aware of IPA allocations per year and per component, in order to see how much funds have been used or spent, how much funds are pending disbursement and how much funds have already been lost.

IPA Component (in million EUR)	2007	2008	2009	2010	2011	2012	2013
Transitional Assistance and Institution Building	42	41	39	36	29	28	28
Cross-Border Cooperation	4	4	4	5	5	5	5
Regional Development	7	12	21	29	39	42	52
Human Resource Development	3	6	7	8	9	10	11
Rural Development	2	7	10	13	16	19	21
<b>Total</b>	<b>58</b>	<b>70</b>	<b>81</b>	<b>91</b>	<b>98</b>	<b>104</b>	<b>117</b>

Table I-3 - (MIFF) IPA financial framework for Republic of Macedonia, per component and per year

Figures in the table above show that under IPA 2007-2013 Macedonia was allocated around 620 million EUR in non-refundable financial assistance. In the first two years (2007 and 2008), highest amounts of funds are allocated for IPA Component I, while in the years that follow significant increase of funds is noticed for IPA Components III, IV and V, which is done on the account of lower amounts allocated for

IPA Component I. Logic behind these figures is obvious. In the first years, the focus will be on developing Operational Programmes and capacitybuilding with a view to obtain accreditation for decentralized management of IPA funds, which is the condition for use of funds allocated under these components. Financial allocations for IPA Component II (Cross-Border Cooperation) are marked by linear increase

of funds: less funds are allocated in the first two years, i.e., until relevant Operational Programmes are developed, followed by 25% increase by the end of the financial perspective. Does absorption of funds correspond to increase of financial assistance?

Detailed state-of-affairs under all IPA Components is given later in this report. Nevertheless, here we would like to emphasize certain inconsistencies. As said above, if in 2007 all beneficiary countries

were expected to focus their activities on developing the required Operational Programmes and administration capacitybuilding, in 2008 they were expected to demonstrate better results in expenditure. This is the case with all other beneficiaries, except for Macedonia and is shown in Table 4 below, which provides an overview of amounts and relevant shares of funds contracted in 2007 and 2008 under IPA Component I, for all beneficiary countries.

IPA Component I	ALB (%)	BiH (%)	CRO (%)	KOS (%)	MK (%)	MNE (%)	SRB (%)	TUR (%)
2007 – contracted	15.0	47.0	0	48.0	24.8	20.0	14.0	0
2008 – contracted	41.4	13.5	12.5	52.8	0.3	48.2	23.0	26.5

Table I-4 – IPA 2007 and 2008 funds contracted (Source: Midterm Meta Evaluation of IPA Assistance, from February 2011)

Figures indicated in Table 4 are defeating for the Republic of Macedonia. If in 2007 Macedonia was second-ranked according to funds contracted (Kosovo is not taken into consideration due to the fact that 2007 funds were intended for Martti Ahtisaari's plan), in 2008 it was the lowest-ranked country. This should have alarmed any serious government. Only explanation for this could be the public administration's politicization, which gained in intensity in the course of 2007 and 2008. Once Operational Programmes were developed, Macedonia, instead of withdrawing funds and implementing projects, engaged in transfer of administrative staff from one line ministry to another. This period was also marked by the onset of restructuring activities at the Secretariat for European Affairs (SEA), notably by transferring SEA's staff to other line ministries. Most probably, this would not have created any obstacles should the staff transferred, after having realized that it would be marginalized by the Government, not decided to leave state administration bodies. Table

above mirrors the results of this adventure.

Similar conclusions are inferred throughout this report and under analyses of individual components.

## 8. METHODOLOGY

This Quarterly Accession Watch Report assesses the state-of-affairs in regard to EU funds made available to the Republic of Macedonia, i.e., funds made available under the Instrument for Pre-accession Assistance (IPA) and the Community Programmes where Macedonia participates. The reporting period is not limited in terms of time and includes all data made available in the course of monitoring activities. We were able to secure the most recent information and data for some components, while for others access to such information was difficult. Moreover, it should be noted that the monitoring team submitted Freedom of Information (FOI) applications



to the Ministry of Finance's Central Financing and Contracting Department (CFCD), but unfortunately no FOI responses were submitted by the cut-off date for this report.

Baseline for the monitoring is documents of the Government of the Republic of Macedonia, the European Union, and media coverage of EU-related projects in Macedonia. Main documents subject to analysis are: *Government's Work Programme 2011-2015*; *"Action Plan on Activities Stemming from the European Commission's Recommendations"*, from August 2011<sup>39</sup>; *"National Programme for the Adoption of the EU Acquis – Revision 2012"* (hereinafter: NPA 2012); *EC Progress Report for the Republic of Macedonia for the years 2009, 2010 and 2011* (hereinafter: Progress Report 2009, 2010 and 2011); *Decision of the Council on the principles, priorities and conditions contained in the Accession Partnership with the Republic of Macedonia*, Brussels, February 2008 (hereinafter: Accession Partnership), and other strategic documents of essential importance in the sectors monitored.

Macedonian Centre for European Training consulted two expert studies commissioned by DG Enlargement, notably in order to understand the logic behind interventions and define lessons learned from IPA's utilization<sup>40</sup>. They include: *Midterm Meta Evaluation of IPA Assistance Evaluation Report*, from February 2011; *Report from the Commission to the Parliament, the Council and the European Economic and Social Committee – 2008 Annual Report on the Implementation of the Instrument for Pre-accession Assistance*, from December 2009<sup>41</sup>; *Report from the Commission to the Parliament, the*

*Council and the European Economic and Social Committee – 2009 Annual Report on the Implementation of the Instrument for Pre-accession Assistance*, from November 2010<sup>42</sup>; *Commission Staff Working Document, Background Document to the Report from the Commission to the Parliament, the Council and the European Economic and Social Committee – 2010 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-accession Instrument, Transition Facility)*, from October 2011<sup>43</sup>; *Interim Evaluation of the Operational Programme for Human Resource Development 2007-2013 and Evaluation Works on Monitoring and Evaluation Indicators of the Measures*, from November 2011 and the Master Thesis by David Denti on *"Building Member States? The EU's Instrument for Pre-accession Assistance for the Western Balkan Countries"*, 2011.

Inevitably, this report relies on data from the *Multiannual Indicative Financial Framework* (hereinafter: MIFF) and all *Multiannual Indicative Planning Documents* (hereinafter: MIPD). Operational Programmes for Cross-Border Cooperation with Albania, Greece and Bulgaria, Operational Programme for Regional Development 2007-2009, Operational Programme for Human Resource Development 2007-2013 and Operational Programme for Rural Development 2007-2013 were adequately analysed in the context of IPA funds committed.

Apart from document analysis and desk research, interviews were also conducted with responsible personnel at the institutions in the Republic

<sup>39</sup> <http://www.sep.gov.mk/Default.aspx?ContentID=36&ControlID=Dokumenti.ascx>

<sup>40</sup> [http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/phare/evaluation/interim\\_en.htm](http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/phare/evaluation/interim_en.htm)

<sup>41</sup> Report from the Commission to the Council, the European Parliament, and the European Economic and Social Committee, 2008 Annual Report on the Implementation of the Instrument for Pre-accession Assistance (IPA), SEC(2009)1719, Brussels, 23.12.2009, COM (2009)699 final.

<sup>42</sup> Report from the Commission to the Council, the European Parliament, and the European Economic and Social Committee, 2009 Annual Report on the Implementation of the Instrument for Pre-accession Assistance (IPA), SEC(2010)1430, Brussels, 25.11.2010, COM (2010)687 final.

<sup>43</sup> Commission Staff Working Paper, Background document accompanying the document - Report from the Commission to the Council, the European Parliament, and the European Economic and Social Committee, 2010 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-accession Instrument, Transition Facility), SEC(2011)1198, Brussels, 11.10.2011, COM (2011)647 final.

of Macedonia tasked with IPA programming, as well as with relevant stakeholders.

17 media outlets were monitored as well, those being: seven daily newspapers (*Utrinski vesnik; Dnevnik; Vest; Vecer, Nova Makedonija, Fokus* and *Den*) and prime-time news programmes on seven TV stations with national and satellite coverage (*Kanal 5; Sitel; Telma; MTV 1; Alfa. Alsat-M* and *Vesti 24*)<sup>44</sup>, as well as three news web-portals (*Plusinfo, Sky MK* and *Kurir*).

This Quarterly Accession Watch Report provides recommendations for all IPA Components, as well as for the Community Programmes, and also provides recommendations that concern IPA in general and are listed in the section *Conclusions and Recommendations*.

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<sup>44</sup> Media Monitoring is a partnership project implemented with the NGO Info-Centre from Skopje.



# ANALYSIS

IPA Component I: *Transitional Assistance and Institution Building* is intended as capacity building facility for state administration in order to implement reforms required for EU accession, i.e., in order to meet Copenhagen Criteria for EU membership. Funds allocated under this component should enable the country to enhance its institutional capacity (in addition to central government and state administration bodies, institutional capacity building also implies trade unions, organizations of employers, chambers of commerce, civil society organizations, etc.) for effective and timely use of funds allocated under other four components.

Macedonia, other candidate countries and potential candidate countries have access to funds from IPA Component I that is part of National IPA, i.e., pre-accession assistance per country, and access to funds from Multibeneficiary (Regional) IPA. Multibeneficiary IPA's portfolio is much lower compared to amounts allocated under National Programmes and accounts for little over 1 billion EUR, i.e.,

around 10% from the total of 116 billion EUR allocated for IPA 2007-2013. Further in the report, we analyse all IPA Components, including the portion of funds allocated for Macedonia in the funding pool called the Community Programmes.

## 1. IPA COMPONENT I: INSTITUTION BUILDING

As indicated above, financial allocations under National IPA Component I are known in advance for each year in the current financial perspective 2007-2013 and are given in the Multiannual Indicative Financial Framework (MIFF). Thus, funds made available to Macedonia under IPA Component I and allocated for the period 2007-2013 amount to 242.8 million EUR. Annual breakdown of assistance is shown in the table below.

Component I	2007	2008	2009	2010	2011	2012	2013
Transitional Assistance and Institution Building	41,64	41,12	39,31	36,91	28,80	27,20	27,94
<b>Total</b>	<b>242.8 million EUR</b>						

Table II-1 – (MIFF) IPA Component I financial assistance breakdown for Macedonia (in million EUR)

Figures indicated above show that funds allocated for the first year (2007) are highest in amount, and are gradually decreasing from

one to another year. Logic behind this is that in the first years of the financial perspective when the country starts benefiting from the new financial instrument it has the greatest need to invest in institution building and strengthening, while later (2012 and 2013) it is expected that most capacitybuilding efforts are completed and funds intended for this purpose decrease in proportion. This does not mean that total IPA assistance (all components) decreases in time. On the contrary, financial assistance is almost doubled in amount (from 58.5 million EUR in 2007 to 117.2 million EUR in 2013). On the detriment of decreased funds for IPA Component I, funds allocated for other four components, in particular for Components III, IV and V, are marked by significant increase in amount towards the final years from the financial perspective (see *Table3*, pg. 20).

Once the financial allocations are determined, activities start to draft the Multiannual Indicative Planning Document (MIPD), which is a document adopted by EC for a period of three years, in consultations with the Government, other donors and the civil society. MIPD is a strategic document, and serves as roadmap for IPA programming per year and per component. At the moment, MIPD 2011-2013<sup>45</sup> is the valid document, and programming of funds for the years 2011, 2012 and 2013 should reflect priorities and sectors defined therein.

Priorities set out for EU assistance in this period include: 1) support economic and social development; 2) improve good governance and reduce corruption; and 3) ensure non-discrimination and respect of human rights. Sectors indicated in MIPD 2011-2013 and eligible for EU support are:

<sup>45</sup> [http://ec.europa.eu/enlargement/pdf/mipd\\_fyrom\\_2011\\_2013\\_en.pdf](http://ec.europa.eu/enlargement/pdf/mipd_fyrom_2011_2013_en.pdf)

- 1) Public administration **(21.33 million EUR);**
- 2) Justice, home affairs and fundamental rights **(24.38 million EUR);**
- 3) Private sector development **(45.71 million EUR);**
- 4) Agriculture and rural development **(67.04 million EUR);**
- 5) Transport **(60.95 million EUR);**
- 6) Environment and climate change **(54.85 million EUR);**
- 7) Social development **(30.47 million EUR).**

After MIPD is adopted, the Government, in cooperation with EC, initiates preparation of sectoral and project proposals (also called 'project fishes'), which facilitate programming of IPA Component I for the current year. At the moment, the Government is developing project fishes for the years 2012 and 2013 together, notably due to the approaching end of the current financial perspective (2013). This is an exception from practices established and pursued in the past, when project fishes were developed only for one year. Process on developing project and sectoral fishes is led and coordinated by SEA and should imply consultations and cooperation between SEA and other state administration bodies, i.e., potential final beneficiaries. Government's consultations with other stakeholders (donors, non-governmental organizations, trade unions, chambers of commerce, etc.) are part and parcel of IPA programming process. In Macedonia, these consultations are organized, but by the EU Mission in Skopje, and in the last few years are also attended by representatives from SEA.

### 1.1. How are the funds spent?

Financial assistance from IPA Component I is programmed in the year 'n', and spending thereof should start by the year 'n+2' the latest, which means that, for example, spending of funds from National IPA Component I for 2007 should start no later than 2009. If projects programmed under IPA 2007 are not implemented by the end of 2009 the latest, funds allocated for that purpose "burn", i.e., the beneficiary country loses them and they are reinvested in EU's budget. Practice shows that spending dynamics of IPA Component I, with a few exceptions, is rather slow and announcement of calls most often takes place by the end of 'n+2' year.

Table below provides an overview on relevant shares of Component I funds spent by 31.12.2011. Data indicated in the table were obtained as response to our FOI application addressed to the EU Mission in Skopje. Although the same FOI application was forwarded to the Ministry of Finance's CFCD and the Cabinet of the Minister of Finance, no response was obtained thereto, despite the fact that the Ministry is legally obliged to disclose information requested under the Free Access to Information Act. This raises concerns in regard to transparency of EU assistance management and spending by the Government, as granted under the decentralized management and control system.

Macedonia	Committed	Contracted	Contracted (%)	Paid	Paid (%)
IPA 2007	34.90	32.87	94%	27.79	82%
IPA 2008	37.12	34.41	93%	19.92	54%
IPA 2009	37.06	0.15	0%	0.09	0%
IPA 2010	36.91	0.	0%	0	0%
<b>Total</b>	<b>145.99</b>	<b>67.43</b>	<b>46.18%</b>	<b>47.71</b>	<b>70%</b>

Table II-2 – Implementation of IPA Component I, by 31.12.2011 (in million EUR), source: EU Mission in Macedonia

Macedonia	Committed	Contracted	Contracted (%)	Paid	Paid (%)
IPA 2007	34.02	30.71	90.27%	18.76	55.14%
IPA 2008	37.12	19.13	51.54%	6.23	16.78%
IPA 2009	37.06	0	0%	0	0%
IPA 2010	36.91	0	0%	0	0%
<b>Total</b>	<b>145.11</b>	<b>49.84</b>	<b>34.35%</b>	<b>24.99</b>	<b>17.22%</b>

Table II-3 – Implementation of IPA Component I, per year, by 31.12.2010 (in million EUR)<sup>46</sup>

<sup>46</sup> Annual Report on the Financial Assistance for Enlargement 2010.

Comparison of utilized funds shows dramatic increase of shares of contracted funds from IPA 2008 by the end of 2010 and by the end of 2011, i.e., from 51.54% to 93% respectively, as well as increase of shares of paid funds from IPA 2008 from 16.78% in 2010 to 54% in 2011. These figures provide evidence in support of the statement that funds are contracted late and slowly. Obvious is that, to present, Macedonia has managed to save funds from “burning”, but this was due to EC’s internal rule whereby funds can be reserved (and will be considered paid) at the moment when the tendering process for relevant projects is announced.

Comparison of funds programmed under National IPA 2007, 2008 and 2009 (see tables in Annex) against breakdown of funds in MIFF (see *Table 3* above), provides the conclusion that difference between IPA 2007 funds committed and paid is 6.7 million EUR less funds on the expenditure side. The same difference is almost 4 million EUR for IPA 2008, and in regard to IPA 2009 difference between funds committed and paid accounts for 2.3 million EUR. The question raised here is whether Macedonia spent fewer funds than those made available, or the difference between funds committed and paid, which accounts for around 13 million EUR in total for three years (2007, 2008, and 2009), is actually result of competitiveness in the bidding process, i.e., consulting companies offered lower process. If the latter statement is true, then unknown is whether these funds were spent for another purpose defined in the National Programme for Transitional Assistance and Institution Building, or the reason thereof should be sought elsewhere.

## 1.2. Sectoral Monitoring Committee

From 1 January 2010, financial assistance from IPA Component I is implemented in compliance with the decentralized management

system, also known as DIS (Decentralised Implementation System). In the previous period (2007-2009), IPA funds were managed by the EU Mission in Macedonia. Decentralized management of financial assistance implies that relevant state institutions are responsible for transparent expenditure. These institutions are part of the management structure for IPA Component I, i.e., the Government. Thus, CFCD at the Ministry of Finance is the key body responsible for project management and implementation, in compliance with principles on sound financial management. CFCD is responsible for launch of calls, contracting and payments made for projects funded under IPA Components I to IV. Management of IPA Component V (Agricultural and Rural Development) falls within competences of the accredited Agency for Financial Support in Agriculture and Rural Development (AFSARD). Apart from CFCD, every line ministry responsible for the relevant IPA Component (i.e., SEA for IPA Component I) appoints so-called IPA Coordinators responsible for project programming, technical implementation and monitoring.

Sectoral Monitoring Committee for IPA Component I, also known as TAIB Committee (Technical Assistance and Institutional Building Committee), is the authority stipulated in IPA Implementing Rules (together with sectoral committees for other components). This body was to be established within a period of six months following the entry into effect of IPA Regulation from 12 June 2007, i.e., by mid-December 2007 the latest. Establishment of SMCs, including TAIB Committee, is needed in order to ensure monitoring support and assistance. They are responsible to monitor and report on programming and implementation of all five IPA Components. TAIB Committee is chaired by the National IPA Coordinator (NIPAC), while other members include the National Authorising Officer, Programme Authorizing Officer, and sometimes other representatives of operating structures, representatives from EC,

as well as representatives from international financing institutions and the civil society, appointed by the Government of the Republic of Macedonia, in agreement with EC. TAIB Committee meets at least twice a year, on the initiative of the Government or EC. TAIB Committee's main goal is to monitor, evaluate and provide comments and proposals to improve programming and implementation of IPA Component I. More specifically, TAIB Committee is responsible to:

- reconsider reports on the progress made in implementing the programmes, including detailed information on results achieved, financial indicators and other factors;
- reconsider goals achieved and results delivered;
- reconsider tendering plans and relevant recommendations from evaluation;
- discuss problematic issues and activities;
- propose relevant remedial activities;
- reconsider cases of fraud and financial irregularities and to present measures taken to recover funds and defer future replication thereof;
- reconsider the annual audit work plan prepared by the audit authority and the findings and recommendations from audit reports.

Although IPA Implementing Rules from 12 June 2007 (Article 59) allow the possibility for TAIB Committee to include representatives of civil society at the earliest stage, the Government decided to use this possibility as late as June 2011, when it announced the first call for selection of civil society representatives. With this decision, the Government has one more (formal) argument on civil society inclusion in EU integration policy-making.

Unfortunately, the first call for selection of civil society members in TAIB Committee was unsuccessful. Nobody from the list of candidates

was selected, while more concerning was the fact that they were not personally informed about the call's annulment and reasons thereof. Five months later, in October 2011, the second call was announced and resulted in selection of four non-governmental representatives<sup>47</sup> who are given the right to vote in TAIB Committee's work according to a rotation principle, defined in cycles of six months. Unusual was also the decision (to use euphemism for 'contrary to established rules' in Macedonian language) on the rotation of these four non-governmental representatives to be made according to alphabet order of the person's name, and not the surname.

Another important development is the fact that although the decision on selection of civil society representatives was taken on 31 October 2011, the official notification, issued by the Secretariat for European Affairs, was forwarded to selected candidates two months later, i.e., on 3 January 2012. In the meantime, one meeting had already been organized, but civil society representatives – although selected and entitled to participate – were prevented from doing so, notably due to a trivial reason such as the non-submission of official notification. Moreover, they were not forwarded invitations to take part in the meeting. Be that as it may, the public is yet to see benefits from more effective use of assistance from IPA Component I after four civil society organizations are involved in TAIB Committee.

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<sup>47</sup> Civil society representatives in TAIB Committee are: 1) Biljana Janeva from the Institute for Economic Strategies and International Relations – Ohrid; 2) Daniela Stojanova from the Macedonian Centre for International Cooperation; 3) Lidija Dimova from the Macedonian Centre for European Training; and 4) Fani Karanfilova – Panovska from the Foundation Open Society – Macedonia.



### 1.3. Consultations

On the initiative of the EU Mission in Skopje, second round of consultations with non-governmental organizations for IPA Component I 2012-2013 were held on 30 January 2012. This meeting was chaired by representatives of DG Enlargement in Brussels. SEA representatives were only guests and did not feel called to answer the questions raised or to comment on remarks put forward by the civil society. Such behaviour on the part of SEA representatives is odd and speaks of institutional capacity and ownership over the process on assistance programming.

Another uncommon matter was noted in relation to the second round of consultations for sectoral/project fishes under IPA Component I 2012-2013. Namely, although the first round of consultations organized on 27 October 2011 was attended by representatives of Embassies, international financing institutions and UN Agencies, together with civil society, at the meeting it was indicated that summary presentation of projects does not provide sufficient information that would enable thorough insight in and quality comments to project proposals, while non-governmental organizations were not submitted in advance all information on project proposals to be discussed at the second round of consultations. Clear is that quality of projects discussed at the meeting held in November was inappropriate, which was also indicated by EC representatives. This served as “convenient” reason for projects not to be fully shared with the non-governmental sector. However, unclear is why the same story was repeated on the second meeting (January 2012). Does this mean that doubts should be raised in regard to quality of project fishes or the capacities of the Government and state institutions to programme financial assistance?

### 1.4. IPA 2012-2013 in process

In compliance with MIFF 2011-2013, 52.95 million EUR from IPA 2012-2013 Component I are in process of programming. 2.7 million EUR from that amount will be allocated for projects financed under Regional IPA, as follows: 1 million EUR for TEMPUS; 1.2 million EUR for Nuclear Safety; and 0.5 million EUR for Civil Society Facility. National IPA project proposals for these two years will be supported with the remaining amount of 50.25 million EUR. During the consultations (end of January 2012), the Government had surplus of ideas, i.e., proposed projects in total value of 69.634 million EUR, which is by 19.38 million EUR more than 50.25 million EUR available. This means that some project proposals will be shelved. It remains to be seen which projects will not be implemented. Breakdown of financial assistance in the amount of 69.634 million EUR is:

- 1) Public Administration Reform** (16.2 million EUR), as follows:
  - a) 7 million EUR are allocated to support Ministry of Information Society and Administration’s (MISA) efforts to modernize the public administration and to support General Secretariat’s (GS) cooperation with civil society;
  - b) 2.8 million EUR are allocated to support administration’s preparations for managing Structural and Cohesion Funds;
  - c) 3 million EUR are allocated to support the flexible mechanism for administrative capacity building (the beneficiary institution is not indicated);
  - d) 1.6 million EUR are allocated to support capacity building for state audit;
  - e) 1.8 million EUR are allocated to support capacity building of PRO’s Tax Academy.
- 2) Justice, Home Affairs and Fundamental Rights** (8.53 million EUR), as follows:
  - a) 7 million EUR for enhancing the rule of law in the field of anti-corruption, fight against organized and financial crime and

integrated border management (technical support to the Ministry of Interior, Ministry of Justice and the Financial Police); and b) 1.53 million EUR to support networking on rights to privacy and free access to public information (support to the Directorate for Personal Data Protection).

- 3) Private Sector Development** (8.1 million EUR), as follows: a) 6.3 million EUR are allocated to support private sector development by improved business climate, competitiveness and innovation for SMEs (support to the Ministry of Economy, General Secretariat, Standardization Institute, Bureau of Metrology, State Statistical Office, Ministry of Finance and the Insurance Supervision Agency); and b) 1.8 million EUR for institutional and operating capacity-building for the Customs Administration.
- 4) Agriculture and Rural Development** (10.175 million EUR), as follows: a) 7 million EUR to support institutional capacity-building in agriculture and rural development, for the purpose of implementing the Common Agricultural Policy, in compliance with EU criteria (support to the Ministry of Agriculture, Forestry and Water Economy and the IPARD Agency); and b) 3.175 million EUR are allocated to support alignment with EU criteria of institutions profiled in food safety and veterinary (support to the Food and Veterinary Agency).
- 5) Environment and Climate Change** (7 million EUR), intended to support central and local level administration capacitybuilding for implementing EU *acquis* on environment and climate change in the sectors waste, water, air and noise protection, industrial pollution, climate change and nature (technical support to the Ministry of Environment and Spatial Planning).

- 6) Social Development** (7.475 million EUR), as follows: a) 5.025 million EUR to support the plan on social development that will include anti-discrimination, social dialogue and poverty of children (support to the Ministry of Labour and Social Policy); and b) 2.45 million EUR to support capacitybuilding for development and introduction of National Qualifications Framework, in the context of free movement of services and life-long learning (support to the Ministry of Education and Science).
- 7) EU *acquis* and horizontal issues** (12.154 million EUR), as follows: a) 10.154 million EUR are allocated to support Macedonia's participation in the Community Programmes (entry tickets); b) 2 million EUR are allocated to support the decentralization process (support to the Ministry of Local Self-Government); c) transport is defined as eligible sector for support, but no funds have been allocated for that purpose and there is no project fish developed. Hence, unclear is why this sector appears under Component I, but is not allocated any financial assistance!?

## 1.5. Comments and Recommendations for IPA 2012-2013

IPA Committee is the competent authority that will make the final decision on allocations and amounts per sector at the meeting scheduled for September 2012. Obvious is that the state will face problems in regard to effective absorption of funds from IPA 2012 and 2013, especially in regard to public administration reforms because as many as 16.2 million EUR are allocated for this purpose in IPA 2012-2013. Having in mind that funds in the total amount of 8.67 million

EUR allocated to support public administration reform and programmed under IPA 2007-2011 are spent in 2012, i.e., IPA 2007 project worth 2 million EUR is implemented in 2012, while projects from IPA 2009, 2010 and 2011 (5.67 million EUR) are yet to start, serious concerns are raised as to whether the total amount of 21.87 million EUR will be spent efficiently and will deliver expected results by the end of 2015 ('n+2').

Nevertheless, praise is due for the initiative to support the State Audit Office (SAO), which is anticipated for financial support for the first time from the start of IPA.

In our opinion, illogical is for IPA 2012-2013 to provide technical support to the Ministry of Local Self-Government, in particular because the decentralization process (and the role of this line ministry) should be completed as soon as possible and will imply termination of the Ministry of Local Self-Government. Central government's support for local governments should be based on sectors (for example, equal regional development), in particular knowing that fiscal decentralization and transfer of other competences are already managed by other line ministries (Ministry of Finance, Ministry of Education, Ministry of Labour and Social Policy, etc.).

Funds, in the amount of 2.45 million EUR, allocated to support capacitybuilding and introduction of National Qualifications Framework and implementation of the Law on Recognition of Professional Qualifications in the context of free movement of services and life-long learning should have been programmed long time ago, considering the fact that these issues were defined as short-term priorities in EC's Accession Partnership from November 2007. One might say "better late, than never", but in our opinion this project should be financed under IPA Component IV: Human Resource Development.

## 1.6. Projects envisaged by IPA 2007-2011?

The present analysis targets projects supported, i.e., programmed under IPA Component I in the period 2007-2011. Namely, we analyse projects approved by IPA Committee until this report's cut-off date. IPA 2012 and 2013 projects are being programmed at the moment and they are expected to be adopted by EC on the next IPA Committee meeting scheduled for September 2012. Supported with relevant figures, this analysis shows the manner in which around 189 million EUR (2007-2011) of the total of 242.8 million EUR (2007-2013) allocated under IPA Component I, were programmed.

Analysis shows that funds from IPA Component I: Transitional Assistance and Institution Building for the period 2007-2011 have secured consecutive financial support to following sectors: democracy and fundamental rights (3.86 million EUR); civil society (5.3 million EUR); decentralization and local governments (9.34 million EUR); public administration reform (8.5 million EUR); judiciary (8 million EUR); management of EU funds (4.6 million EUR); protection of human and minority rights (5.3 million EUR); police reform (23.35 million EUR), of which 9.52 million EUR are intended to support integrated border management and introduction of TETRA; tax policy reform (3.33 million EUR); statistics (3.46 million EUR); customs reforms (11.2 million EUR); preparations for Life-Long Learning and Youth in Action Programmes (4.9 million EUR); entry tickets for several Community Programmes (13.97 million EUR); agriculture and rural development (6.5 million EUR); veterinary and phytosanitary policy (8.68 million EUR); environment (10 million EUR); technical assistance for project writing - *Project Preparation Facility* - (11.7 million EUR); cultural heritage (1.96 million EUR). For more details on project fishes in these sectors, see Annex.

Single intervention support from IPA funds was allocated for the following sectors:

- 1) *IPA 2011* – social development (1.37 million EUR); private sector development (1.27 million EUR); gender equality (0.855 million EUR); intellectual property rights (1.33 million EUR);
- 2) *IPA 2010* – anti-corruption, i.e., transparent financing of political parties (1.35 million EUR); consumer protection (1.197 million EUR); free movement of workers (0.902 million EUR); free movement of capital (1.172 million EUR); preparations for EU accession negotiations (1.995 million EUR); industry policy (2.673 million EUR);
- 3) *IPA2009* – transport (0.72 million EUR); competition policy (0.95 million EUR); macro-economic policy (1.2 million EUR); information society and media (0.81 million EUR); blood safety (0.8970 million EUR);
- 4) *IPA 2008* – public procurements (1.2 million EUR); support to MAPAS – Supervision Agency for Capital Pension Insurance (1 million EUR); TAM/BAS projects to support SMEs, *through EBRD* (2.1 million EUR); free movement of goods (1.8 million EUR).

Analysis of IPA funds programmed in the period 2007-2011 and allocated for different sectors provides several conclusions:

- 1) As concerns IPA Component I, the sector supported with the highest amount of funds (**23.35 million EUR**) is **police reform**. Payment of funds for technical assistance aimed to discontinue procurements for TETRA phase 1 was made on 25 December 2009. The question is raised on how is it possible for enormous sums of money invested in the police sector, which - *inter alia* - should have secured police professionalization, to result in two tragic accidents of police

brutality within a period of only 6 months, and imply losses of three young lives? Does this mean that EU's financial assistance is spent to no avail in Macedonia?

- 2) **Second-ranked sectors according to money invested** under IPA 2007-2011 (except for entry tickets for the Community Programmes and funds spent on project preparation) include: customs – 11.2 million EUR; environment - 10 million EUR; decentralization – 9.34 million EUR; public administration reform – 8.5 million EUR, and judiciary - 8 million EUR. Analysis shows that funds allocated for customs demonstrate consistency in programming and logically they build upon results achieved in previous years, which is primarily due to the sound administrative capacity of the Customs Administration. Fund allocated to support environment, although high in nominal amounts, are actually insufficient when compared to funds needed to bring the national legislation and standards in line with those upheld by the EU. On the account of these sectors, in the same period decentralization, public administration reform and judiciary benefited from higher amounts of IPA funds (25.84 million EUR for all three sectors). As a rule, all sectors lack strategic approach to programming, beneficiary institutions are marked by low absorption rates and results are missing in continuum. Moreover, these three sectors are the most criticized ones in EC's Progress Reports for the Republic of Macedonia published for the years 2007 to 2011. If the amounts allocated in the period 2007-2011 are summed with funds being programmed at the moment, i.e., funds allocated for draft sectoral and project files under IPA 2012 and 2013, i.e., 16.2 million EUR to support public administration reform and 2 million EUR to support decentralization, the question is raised on when and whether the total sum of financial assistance will be used. More

important is the question that concerns results of these investments, having in mind the absence of strategic approach?

- 3) **Obvious is the lack of strategy and consistency** in financial assistance planning for most sectors (especially those related to economic criteria), which are of key importance for the country's EU accession and where reforms are most needed (for example: social capital development, private sector development, competition policy, free movement of goods and services, etc.).
- 4) Praise is due to the amount of **16.33 million EUR of IPA funds** used to **pay entry tickets for Community Programmes** in the period 2007-2011. Here, we would like to note that the authorities must make additional efforts and enhance the administrative capacity (especially for Progress, CIP, Youth in Action, and Life-Long Learning Programmes), i.e., they should enhance institutional and financial capacity of potential beneficiaries, and to increase investments in promotion of Community Programmes in public.<sup>48</sup>

## 1.7. Conclusions and recommendations

Analysis of IPA Component I's management and implementation in the period 2007-2013 shows that public administration in Macedonia has limited capacity for financial assistance programming and absorption. This resulted in late contracting and project implementation. Considering the fact that programming is closely related to reform implementation, this means that Macedonia faces problems with implementation of reforms.

<sup>48</sup> More details on utilization of Community Programmes can be found in the policy study "Detour Europe via Community Programmes", available at: [http://mcet.org.mk/wp-content/uploads/2012/03/Policy-study\\_Prekutrupa-za-Evropa\\_mk.pdf](http://mcet.org.mk/wp-content/uploads/2012/03/Policy-study_Prekutrupa-za-Evropa_mk.pdf)

Limited capacity of the state administration is also mirrored in the use of Project Preparation Facility. Around 5% of IPA funds are allocated to this Facility, compared to other Western Balkan states and Turkey, where 2-3% of pre-accession assistance is allocated for this purpose. Defeating is the fact that the state administration is unable to prepare simple Terms of Reference. At the same time, it indicates that the state administration does not understand projects and does not know what results they should achieve. Therefore, it does not surprise that projects are implemented to no avail and do not bring significant benefits for the society.

Moreover, the analysis shows that funds are allocated to meet state needs, but some sectors appear as greater beneficiaries (police and customs), while others seem to be excluded from the reform agenda (social policy and employment).

In order to improve the state-of-affairs related to IPA Component I, competent authorities must make due consideration of several issues in financial assistance programming, those being:

- 1) State institutions must have National Development Plan in order to be able to direct EU funds where they are most needed, which reforms can be supported by funds from other financing sources (for example: bilateral assistance, loans and credits, etc.);
- 2) National Development Plan must give priority to country's EU Agenda, and especially Europe 2020. If Macedonia wishes to improve its absorption capacity for the next financial perspective 2014-2020, it must immediately start work on defining priority reform areas;
- 3) Contents and guidelines defined in strategic documents related to the country's EU accession, such as priorities from the Accession Partnership, issues and shortfalls noted in EC's Progress Report, goals

and activities indicated in the National Programme for the Adoption of the EU *Acquis* (NPAA) and the Multiannual Indicative Planning Document (MIPD) must be made due consideration of in all strategic and developmental documents;

- 4) Each sector that requires institutional and legislative approximation to EU must have medium- and long-term sectoral policies and strategies. Given that state bodies tasked to programme IPA financial assistance are no visionaries, nor do they hold mandate to make political decisions, the Government should design tools that would facilitate the programming process. This would assist the administration in comprehending areas of reforms that require support 2 years in advance, rather than to plan support at the time of programming;
- 5) Special attention should be paid to administrative capacity-building for institutions and organizations that will absorb financial assistance available under other IPA components, as well as funds from Community Programmes where Macedonia participates;
- 6) IPA programming and bilateral assistance must be flawlessly coordinated, in order to avoid project overlapping and replication.

## 2. IPA COMPONENT II: CROSS-BORDER COOPERATION

Main goal of IPA Component II: Cross-Border Cooperation is to promote sustainable economic and social development and cohesion in the country's border regions. Joint activities and projects implemented should improve the social and economic status of local population,

improve joint management with natural and cultural resources and enhance cohesion between regions on both sides of the border. Cooperation projects are supported under Operational Programmes developed for each neighbouring country and the Transnational Cooperation Programme.

In essence, cross-border cooperation is implemented by means of bilateral Operational Programmes for each neighbouring country, i.e., by means of joint open calls for proposals that correspond to priorities defined for relevant border areas. All Operational Programmes include description of priorities and measures eligible for financial support in the period 2007-2013 and an indicative financial plan for the first years of funding.

IPA Component II offers great possibilities for citizens from border regions, because - to great extent - it relies on grant-awarding schemes for project applications submitted by broad spectrum of potential beneficiaries (municipalities, civil society organizations, scientific and education institutions, centres for development of plan regions, various associations and organizations, etc.).

Republic of Macedonia participates in four CBC programmes with neighbouring Albania, Bulgaria, Greece, and - as of recently - Kosovo. Moreover, it participates in the South-East Europe Transnational Cooperation Programmes. Due to political reasons, Macedonia still does not have Cross-Border Cooperation Programme with Serbia<sup>49</sup>.

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<sup>49</sup> Due to the fact that Serbia does not recognize Kosovo's independence and borders; this affects Macedonia because the border between Macedonia and Kosovo is not recognized by Serbia.



## 2.1. Who is responsible for CBC?

Ministry of Local Self-Government of the Republic of Macedonia (MLSG) is the competent national authority responsible for coordination of this component. CBC's Operating Structure is comprised of MLSG, i.e., the Sector for European Affairs, which is the body responsible for implementation of CBC programmes. The Sector is comprised of three departments, those being: (1) EU integration and negotiations; (2) IPA implementation; and (3) IPA coordination, programming, monitoring and evaluation. The Sector and its departments employ 9, i.e., 7 civil servants (depending on the source of information consulted), including the head of sector, assistant head of sector, and heads of departments. As strange as it may sound, the Sector is understaffed and employs more chief officers than administrative staff. Hence, unclear is who is managing whom and whether chief officers have employees to manage.

As part of its competences, by late 2006 and early 2007, MLSG initiated the programming process for CBC, i.e., preparation of Operational Programmes for Cross-Border Cooperation with Republic of Albania, Republic of Bulgaria and Republic of Greece.<sup>50</sup>

In 2008, implementation of IPA CBC Operational Programmes lagged behind and there were no calls for proposals announced, although four programmes were adopted in late 2007 and relevant Financing Agreements were signed in 2008.

CBC implementation in Macedonia started as late as 2009, because national authorities from all countries concerned needed time to

establish the joint management structures,<sup>51</sup> in compliance with IPA Implementing Rules, and then announce joint calls for proposals, followed by evaluation of applications. Joint management structures<sup>52</sup> were established in 2009 and include Joint Technical Secretariat (JTS) in Struga for CBC with Albania, and satellite-office in Strumica tasked with CBC with Bulgaria. JTS's satellite-office in Bitola, responsible to manage CBC with Greece, was established in the second half of 2011, and efforts are underway to establish JTS in Kumanovo, responsible for CBC with Kosovo.

By the end of 2011, state-of-affairs related to implementation of Operational Programmes and establishment of decentralized management for IPA Component II is assessed as disastrous. Five years into IPA's implementation and the Government has still not managed to make required institutional preparations and obtain accreditation for decentralized management.

## 2.2. Spending peanuts

Implementation of four CBC Operational Programmes where Macedonia participates is assessed as difficult and burdened with many problems. This is a result of poor administrative and institutional

<sup>51</sup> Operating Structures include the Joint Monitoring Committee, Joint Standing Committee, Joint Technical Secretariat and satellite-office.

<sup>52</sup> Joint Technical Secretariat performs the following tasks: assists the Standing Committee, Joint Monitoring Committee, Audit Authority and the Certification Body in performing their tasks, commissions studies, translates and distributes documents and materials needed for the work of JMC, and is responsible for the organization, implementation and preparation of meetings, drafting minutes and conclusions from JMC meetings, draft reports, is responsible for record-keeping and publicity matters, maintains the website, develops, monitors and evaluates projects, disseminates results and supports the final beneficiaries.

<sup>50</sup> MLSG participates in the South-East Europe Transnational Cooperation Programme, and initiated the preparation of the Operational Programme for Cross-Border Cooperation with the Republic of Kosovo.

capacity, bureaucratic obstacles, time-consuming procedures, absence of political will and interplay of influences and interests. Required legislative framework is not adopted or in process of enactment for some time now, while establishment and operationalization of necessary structures are hindered due to inappropriate recruitment policy, i.e., due to administration's politicization. Continuous delays in establishment of joint management structures and time-consuming evaluation of applications have led to loss of funds intended for cross-border cooperation in 2011.

Commission's 2010 Annual Report on Financial Assistance for Enlargement to the European Parliament, the Council and the Economic and Social Committee and its accompanying background document<sup>53</sup>, adopted on 11.10.2011, in addition to detailed overview per country, also provide a global overview of IPA's implementation in the period 2007-2010. These documents provide information broken down by component and by beneficiary country. Analysis of figures indicated therein provides the unfortunate conclusion that Macedonia, under all IPA Components, is the lowest-ranked beneficiary. Relevant figures on implementation of IPA Component II: Cross-Border Cooperation are given in the table below.

Macedonia	Committed	Paid	Paid (%)
IPA 2007-2010	17.09	1.87	10.94

Table II-4 – Implementation of IPA Component II, by 31.12.2010 (in million EUR)

Analysis of annual allocations provides for worse conclusions. Albeit the fact that IPA 2007 assistance has been contracted, all other funds committed remain untouched. Great differences in amounts contracted and paid are also noted in regard to IPA 2007. Table below shows the state-of-affairs.

IPA	Committed	Contracted	Contracted (%)	Paid	Paid (%)
2007	3.44	0.27	7.85%	0.22	6.40%
2008	2.85	0	0%	0	0%
2009	3.03	0	0%	0	0%
2010	3.10	0	0%	0	0%
<b>Total</b>	<b>12.42</b>	<b>0.27</b>	<b>2.17%</b>	<b>0.22</b>	<b>1.77%</b>

Table II-5 – Implementation of IPA Component II, per year, by 31.12.2010 (in million EUR)

No information is available on IPA Component II implementation by 31.12.2011, however likely is that key problems identified will continue to hinder the process in future. All CBC Operational Programmes were marked by requests for so-called "no cost extension" in order to sign relevant contracts for the years 2007, 2008 and 2009. Additional time of one year and - in some cases - longer was needed to sign contracts for applications approved, in order to avoid losing 2007 and 2008 financial assistance, and also 2009 financial assistance. Same practices continue to date and will most probably continue in future, notably due to inert and inefficient functioning of the system and relevant structures established. As a result, deadlines set for launch of calls for proposals, evaluation of applications, project selection and contracting with successful applicants are breached in continuum.

<sup>53</sup> COM(2011) 647 final from 11.10.2011 {SEC(2011) 1198 final} Report from the Commission to the European Parliament, the Council and the European Economic and Social Committee, 2010 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-Accession Instrument, Transition Facility).



### 2.3. Staggering administration

The accreditation process for decentralized management of IPA Component II necessitates appointment of the Head of Operating Structure (HOS), CBC Coordinator, staff recruitment for the implementing body, revision of inventory and description of work tasks in MLSG's Act on Systematization of Jobs, defining programme management and control procedures<sup>54</sup>, compliance assessment, etc. Special attention is given to issues such as detecting and correcting irregularities, reporting, planning, recruitment and staff performance assessment, risk management, supervision, drafting internal guidelines, appointment of CBC Authorizing Officer, National Authorizing Officer and Head of CBC Operating Structure, signing of CBC Operational Programmes by relevant institutions involved in IPA Component II's management and implementation, as well as existence of clear and realistic accreditation action plan. All these enable a system approach to emergency issues and challenges that might require special efforts.

EC is the contracting authority under the current centralized management of IPA Component II, and is responsible for approving calls for proposals, together with information packages for applicants; approving appointment of members in the Joint Standing Committees; approving evaluation reports of applications and shortlisted projects; participation – in advisory capacity – in the Joint Monitoring Committee; signing contracts with grant beneficiaries, including changes to contracts.

The goal of the accreditation action plan is to fulfil requirements for obtaining national accreditation for decentralized implementation of

IPA Component II. Although activities are in place to implement the action plan, they do not suffice. Shortcomings identified are addressed slowly, and, in the meantime, new problems emerge. As regards the appointment of new Head of Operating Structure, having in mind that appointment at ministerial level will create hierarchical disbalance between HOS and NAO, an appropriate solution was reached on 15 March 2011, when state advisor from the administration was appointed to this position. This person will assume also responsibilities of IPA CBC Coordinator.

Preparations of functioning contracts for decentralized management bodies, in order to avoid overlapping responsibilities, i.e., to establish shared responsibilities, lasted for too long. For some time now, EC indicates the need for changes to the Act on Systematization of Jobs and incorporation of recommendations made in regard to the Operating Structure. Finally, this activity is planned for implementation in the first quarter of 2012, but previous experiences raise doubts that this activity will be delayed as well.

Absurd in this matter is the fact that continuous changes were made to Acts on Systematization of Jobs at various institutions in the last several years. Unfortunately, it seems that these changes were made for political reasons, and served the purpose of eliminating or demoting “unfit civil servants”, only to recruit these positions with members of ruling political parties. Contrary to EC requirements and given the importance of appropriate staff recruitment for the accession process, in practice qualified staff is still not recruited. Lack of administrative capacity further complicates implementation of IPA. Majority of newly recruited political party staff at MLSG (most often, without relevant qualifications) did not find their place in the Operating Structure for IPA Component II, and, to present, key positions remain vacant or are

<sup>54</sup> Decentralized management under CBC with Albania and Kosovo, joint management under CBC with Greece and Bulgaria, and shared management under South-East Europe Transnational Cooperation Programme.

unqualified staff is recruited that cannot respond to challenges posed by pre-accession assistance implementation. Distressing is also the fact that no serious efforts are taken to address this problem.

Information and communication activities defined for the purpose of CBC promotion before potential beneficiaries do not bring desired results. These activities are both insufficient and invisible! CBC programmes and calls for proposals are insufficiently promoted, despite the fact that relevant communication plans are in place. Organization of info-days and forums for project-partner finding are a very useful tool, but have been disregarded.

## 2.4. Promotion, commercials, propaganda

Except for the Cross-Border Cooperation Programme with Bulgaria and the South-East Europe Transnational Cooperation Programme (that has been designated a centralized website), other CBC programmes do not have individual websites that would host a variety of useful and practical information, as the first step towards programme promotion. To present, basic information on CBC was sought on websites of EU Delegation in Macedonia and the Secretariat for European Affairs. Moreover, the website of the institution responsible for IPA Component II (MLSG's website<sup>55</sup>) was chaotic in layout, challenging for information-browsing and hosted scarce information for potential beneficiaries. Recently, efforts were made to design new CBC-dedicated portal<sup>56</sup> that would serve as one-stop-shop for all CBC-related information. However, this portal is still not functional.

Obvious is that the Government does not have or wish to have strategic approach to cross-border cooperation and does not plan to take broad-scope activities on information dissemination and communication, as well as promotion campaigns in printed and broadcasting media. Local media from border regions and social networks can play a major role in promoting CBC Operational Programmes before a variety of potential beneficiaries. These activities should be led by MLSG, but they also need to include the Centres for Development of Plan Regions (eight in total), Joint Technical Secretariats seated in Struga and Kumanovo, satellite-offices seated in Strumica and Bitola, as well as the Secretariat for European Affairs (SEA), in the capacity of institution responsible for foreign aid coordination in the Republic of Macedonia.

Kosovo, although a new beneficiary of IPA Component II, is a successful example from the neighbourhood. Kosovo deals with this type of programmes for the first time, but it implements an intensive promotion campaign in printed media, broadcasting media (radio and TV) and airs programmes and interviews in national and local media outlets. The Public Broadcasting Service (RTK) plays a major role in that regard and relevant information on CBC activities can be found on the exceptionally well-designed and information-abundant web-portal dedicated to cross-border cooperation (<http://www.cbckosovo.eu/>).

State-of-affairs in other countries from the region is similar. They all have functional websites<sup>57</sup> and portals intended for promotion of cross-border cooperation programmes, distribute posters, brochures and other materials, produce radio and television advertisements; calls for proposals are timely communicated to potential beneficiaries and info-days and

<sup>55</sup> <http://www.mls.gov.mk/>

<sup>56</sup> <http://www.ipacbc-mkd.org>

<sup>57</sup> <http://www.hu-hr-ipa.com/>, <http://www.romania-serbia.net/>, <http://www.hu-srb-ipa.com/>, <http://www.croatia-serbia.com/>, <http://www.srb-bih.org/>, <http://www.cbc-cro-bih.net/>, <http://www.cbc.bih-mne.org/>, <http://www.cbccro-mne.org/>, <http://www.si-hr.eu/>, <http://www.ipacbc-bgrs.eu/>

forums are regularly organized with a view to facilitate finding of project-partners.

In Macedonia, media are not involved in promotion activities for CBC Operational Programmes. On the other hand, the Government spends enormous funds in the media, but obvious is the fact that state budget funds are intended only for propaganda messages, such as campaigns called “Open Your Heart”, “Choose Life”, “Buy Your Own Apartment or House”, etc. Macedonia’s Public Broadcasting Service (MRTV), which is primarily responsible for public service provision and is operated with citizens’ money, should inform on all matters of public interest. In reality, MRTV produces propaganda programmes and advertisements commissioned by the Government; it airs false or new unproved historical facts that praise historical figures and spreads hate speech targeting the neighbouring countries. Promotion of CBC programmes and possibilities they offer will wait for better times!

## 2.5. CBC Macedonia – Greece

In March 2008, EC adopted the Cross-Border Cooperation Programme 2007-2013 between Macedonia and Greece. The programme document identifies the following priorities: a) bridging the gap in economic development between regions on both sides of the border and between other parts in the country, by creating additional opportunities for creation of jobs as a result of economic cooperation; b) increasing potential for tourism development in border regions and the number of foreign visitors, as well as human health protection through cross-border activities; c) promotion of joint activities for protection of nature, cultural heritage and environment; d) intensifying people-to-people contacts on local and regional level for citizens of and outside

the EU; e) technical assistance for programme implementation and timely delivery of results.

Start of programme implementation was delayed for long time, due to difficulties in the clarification of technical details related to programme implementation between EU MemberState and candidate country, which requires application of transitional arrangements as referred to in Article 99 from the IPA Regulation. Moreover, having in mind the political relations between the two countries, more time was needed to have both partners sit on the same table and agree on implementation activities.

CBC programme between Macedonia and Greece is implemented pursuant to transitional management, where the Ministry of Development, Competition and Transportation of the Republic of Greece is the responsible management authority and the European Commission, i.e., EU Mission in Skopje, acts as the contracting authority responsible for programme implementation in Macedonia. EU Mission in Skopje is responsible for grant-awarding; tendering; contracting; payments; approving selection criteria; developing standard application templates for calls for proposals, to be submitted for approval by JMC; commenting evaluation reports prior to their submission to JMC’s Executive Board; revising procedures; recovering surplus funds and/or withdrawal of (portion of) EC’s contributions in cases of irregularities.

Contrary to other CBC programmes, under which several calls for proposals have already been published, CBC Macedonia-Greece announced only one call for proposals. It was launched on 19 July 2010 and lasted until 8 November 2010. Total amount of funds available for project applications amounted to 6,188,651 EUR, of which 2,251,301 EUR were intended for applications whose project holders came from

Macedonia. Total of 135 applications were submitted to this call, which confirmed the great interest and high expectations. Applications' evaluation was performed by specially-established committee/ team comprised of members from Macedonia and from Greece.

Partial justification thereof was non-functionality of JTS in Thessalonica. Namely, relevant calls for establishment of JTC in Thessalonica, satellite-office in Bitola and staff recruitments were announced in July 2010. In July 2011, JTC in Thessalonica announced the recruitment call and started its operation. Complications arose when first-ranked candidates from the selection list, who were recruited for management positions, declined the relevant employment offers, which further delayed the overall recruitment process. Work on applications' evaluation started in May 2011 and was completed in July 2011.

Another implementation challenge was seen in non-establishment of Joint Standing Committee, which held the first meeting on 23 September 2011, in Thessalonica. 18 applications submitted to the first call for proposals were approved on this meeting<sup>58</sup>. In December 2011, JMC submitted the list of selected projects for approval to Republic of Macedonia. Projects were approved by the EU Mission in Skopje and several contracts were signed with the successful applicants by the end of December 2011<sup>59</sup>.

To present, there is no actual realization of financial assistance committed for 2007 and 2008 cross-border cooperation between

Macedonia and Greece. Due to delays in administrative checks and evaluation of applications submitted to the first call for proposals, as well as because of imminent risk of losing 2007 financial assistance, the Government requested an extension in duration of one year for the 2007 Financing Agreement, notably by means of signing an Annex thereto, which mitigated the risk of losing funds. History repeated with the 2008 Financing Agreement, signed on 16 December 2009, which set deadlines for contract-signing and project implementation for 16 December 2011 and 16 December 2012, respectively. Again, the Government requested an extension and signed an Annex on postponing the contracting deadline for 2008-committed funds for a period of one year.

In April 2012, MLSG signed the Agreement for Technical Assistance with the EU Mission in the amount of 60,000 EUR, which should be used for successful implementation of this CBC programme. The second call for proposals was scheduled to be launched by the end of 2011. In the meantime, revision to the Operational Programme was adopted and signing of 2010 Financing Agreement with Greece was expected. 2010 funds allocated for cross-border cooperation with Greece amount to 3,809,951 EUR, of which 1,495,361 EUR are intended for Macedonia. 2011 funds for cross-border cooperation with Greece amount to 3,879,001EUR, of which 1,525,268 EUR are intended for Macedonia.

Information dissemination activities intended for programme promotion, including awareness-raising campaigns, developing positive behaviour towards the CBC programmes, stimulating participation and training for potential beneficiaries, can be assessed as insufficient. There is no special website dedicated to cross-border cooperation between Macedonia and Greece. Programme-related information is available on MLSG's newly established, but non-

<sup>58</sup> <http://www.interreg.gr/inst/interreg/gallery/File/Programmes/Period%2007-13/EUROPEAN%20TERRITORIAL%20COOPERATION%20PROGRAMME%20GREECE-FYROM/NEA/280911/News17092011a3.pdf>

<sup>59</sup> [http://eeas.europa.eu/delegations/the\\_former\\_yugoslav\\_republic\\_of\\_macedonia/documents/projects/contract\\_list2012\\_en.pdf](http://eeas.europa.eu/delegations/the_former_yugoslav_republic_of_macedonia/documents/projects/contract_list2012_en.pdf) - pg. 16 and 17

functional website and on SEA's website, where this programme is hardly visible in the sea of information hosted. Same information can be found on the website of Greece's Ministry of Development, Competition and Transportation, (<http://www.interreg.gr/default.aspx?lang=en-GB&page=286>), which is designed in more user-friendly manner.

135 applications in total were submitted to the first call for proposals, and 18 of them were approved for financial support. Macedonian organizations appear as project holders in only 4 projects approved, while they appear as partner organization in the remaining 14 applications. Most frequently, project holders from Macedonia are the municipalities and the centres for development of plan regions. 26 organizations from Macedonia appear as partners in the 14 projects and they include municipalities and state/public institutions seated in border regions, with only small number of civil society organizations and foundations (11).

Among project applications that were rejected, the ratio between municipalities/regional development centres/public institutions and civil society/professional organizations and foundations is almost 2:1. This calculation exercise provides the following conclusions:

- Evaluation committees prefer municipalities, regional development centres and public institutions on the detriment of civil society organizations because in case of financial problems the former can more easily secure funds from their relevant budgets or from the central budget. Some of them have greater experience in project management, compared to civil society organizations;
- Municipalities, regional development centres and public institutions have better project-preparation capacity, contrary to civil society organizations, which are discriminated in terms of the small budgets they dispose with;
- Municipalities demonstrate high interest for implementation of cross-border cooperation projects. Several municipalities demonstrate proficiency in project preparation and are marked by high rate of projects approved, such as Bitola, Kavadarci, Gevgelija, Strumica, Dojran, Prilep and Novaci.

Table below provides an overview of Macedonian participants in the first call for proposals for CBC with Greece, in the capacity of project holders and partner organizations.

Projects approved – first call	Municipalities/ regional development centres	State/public institutions	CSOs
Holders from Macedonia	Gevgelija Kavadarci Bitola Pelagonija Region	/	/
<b>Total : 4</b>			
Partners from Macedonia	Kavadarci – 2 projects Krusevo Dojran Bitola Prilep Novaci Resen	Agency for State Roads Clinical Hospital - Bitola Health Centre - Gevgelija University “St. Clement of Ohrid”, Bitola Faculty of Agriculture at the University “Ss. Cyril and Methodius”, Skopje Faculty of Agriculture at the University “Goce Delcev”, Stip Faculty of Bio-Technology at the University “St. Clement of Ohrid”, Bitola	
<b>Total: 26</b>	<b>Total: 8</b>	<b>Total: 7</b>	<b>Total 11</b>

Table II-6 –Participants from Macedonia on the first call for proposals for cross-border cooperation with Greece

Table below provides an overview of unsuccessful projects. Some civil society organizations appear in 2 or more projects.

Unsuccessful projects -first call	Municipalities/regional development centres	State/public institutions	CSOs
Project holders from Macedonia	Valandovo – 2 projects Bogdanci Bitola Strumica	2 projects (University “St. Clement of Ohrid” and PE Industrial Zone, Zabeni) + 3 projects (Institute “Gauss” - Bitola)	
<b>Total: 19</b>	<b>Total: 5</b>	<b>Total: 5</b>	<b>Total: 9</b>
Project partners from Macedonia	Bitola – 4 projects Gevgelija – 4 projects Dojran – 3 projects Strumica – 3 projects Prilep – 3 projects Veles – 2 projects Negotino – 2 projects Kavadarci – 2 projects Novo Selo – 2 projects Novaci – 2 projects Struga – 2 projects Bogdanci Vevcani Sveti Nikole Ohrid Valandovo	State Archive of Republic of Macedonia Entrepreneurship Agency – 3 projects Macedonian Police Trade Union <b>Education institutions: 26</b> University “Ss. Cyril and Methodius”, Skopje – 1 project University “Goce Delcev”, Stip – 1 project University “St. Clement of Ohrid” – 4 projects Faculty of Economy, Prilep – 2 projects Faculty of Pedagogy at the University “St. Clement of Ohrid”, Bitola – 2 projects Faculty of Technical Sciences, Bitola – 3 projects Faculty of Tourism and Catering at the University “St. Clement of Ohrid”, Bitola Faculty of Technology and Technical Sciences, Veles Faculty of Machine Engineering, Skopje – 2 projects	
<b>Total: 150</b>			

Unsuccessful projects -first call	Municipalities/regional development centres	State/public institutions	CSOs
	<p>Radovis Krusevo Drugovo Konce Mogila Bosilovo</p> <p><b>Total: 40</b></p> <p>Centre for Development of Southeast Region – 4 projects Centre for Development of Vardar Region – 3 projects Centre for Development of Pelagonija Region – 3 projects Centre for Development of Southwest Region – 1 project</p> <p><b>Total: 11</b></p> <p><b>Grand total: 51</b></p>	<p>Faculty of Agriculture at the University “Goce Delcev”, Stip – 2 projects Faculty of Mathematics and Natural Sciences at the University “Ss. Cyril and Methodius, Skopje Institute of Seismology and Earthquake Engineering Institute “Gauss”, Bitola – 3 projects International Slavic Institute, Sveti Nikole Tobacco Science Institute, Prilep</p> <p><b>Health institutions: 3</b> Psychiatric Hospital, Demir Hisar PHI for respiratory diseases “Otesevo”, Resen PHI General Hospital, Gevgelija</p> <p><b>Cultural institutions: 4</b> NI Museum, Bitola – 2 projects NI Cultural Centre, Bitola NI Museum, Stip</p> <p><b>Other public institutions: 5</b> NI National Park Galicica NI National Park Pelister PE Komunalec, Gevgelija PE Komunalno, Radovis PUE Plevaja, Radovis</p> <p><b>Total: 41</b></p>	<p><b>Total: 58</b></p>

TableII-7 – Unsuccessful participants from Macedonia on the first call for proposals for cross-border cooperation with Greece



## 2.6. CBC Macedonia – Bulgaria

The European Commission adopted the Cross-Border Cooperation Programme 2007-2013 between Macedonia and Bulgaria in 2007 and defined the following priorities: a) expanding existing and creating new links between local/regional authorities, associations, non-governmental organizations, with a view to improve economic and social development in border regions; b) improving transport infrastructure, with a view to increase potentials for development of tourism and environmental protection; c) intensifying people-to-people actions between citizens of and outside the EU; d) technical assistance for programme implementation and timely delivery of results.

This CBC programme is implemented under joint management system. Management authorities are the Bulgarian Ministry of Regional Development and the Macedonian Ministry of Local Self-Government, respectively. Joint Technical Secretariat and satellite-office are fully operational. JTS in Kustendil employs one head, two project managers and two communication officers, while the satellite-office in Strumica employs two project managers. Strumica-based satellite office is located in the premises of the Municipality of Strumica, which previously hosted the satellite-office for CARDS' Neighbourhood Programme between Bulgaria and Macedonia. Joint Monitoring Committee was established in February 2008 and has held 3 meetings, while the next meeting is scheduled for January 2012. Management Information System is in place and facilitates programme implementation. MIS serves as practical tool to support operations of competent authorities (standing committee, national authority, certifying authority, JTS). The information system is operational and functions well<sup>60</sup>. Special website was designed for

this CBC programme and JTS is responsible for website maintenance and updating with most recent information<sup>61</sup>. In order to ensure broad publicity of the programme, necessary information is also published on websites of the Bulgarian Ministry of Regional Development and Public Matters in Bulgaria ([www.mrrb.government.bg](http://www.mrrb.government.bg)), the Bulgarian Ministry of Finance ([www.eufunds.bg](http://www.eufunds.bg)) and the newly-designed, but non-functional, website of the Macedonian Ministry of Local Self-Government ([www.mls.gov.mk](http://www.mls.gov.mk)). In parallel, info-days and meetings are organized for potential beneficiaries and aimed to facilitate project-partner finding. It can be concluded that progress has been achieved in terms of information dissemination, but these activities are still insufficient and should be improved.

So far, funds committed for the period 2007-2009 and concerning cross-border cooperation with Bulgaria were not spent, except for the sum allocated as technical assistance in the amount of 34,113.67 EUR from the total budget of 193,120 EUR committed for that purpose in the same period. 2010 funds for cross-border cooperation with Bulgaria amount to 2,744,330 EUR, of which 1,400,000 EUR are allocated for Macedonia. 2011 funds for cross-border cooperation with Bulgaria amount to 2,799,216 EUR, of which 1,400,000 EUR are allocated for Macedonia. Financing Agreement for the period 2007-2009 was signed on 13 October 2008, and deadline for contract-signing was set for 13 October 2011.

First call for proposals for CBC with Bulgaria was announced on 14 September 2009 and deadline for submission of applications was 14 December 2009. 93 applications were submitted, 64 of which by Bulgarian project holders and 29 by Macedonian project holders. In the meantime, a decision was taken to increase the amount of funds

<sup>60</sup> <https://mis-007.mrrb.government.bg>.

<sup>61</sup> <http://www.ipa-cbc-007.eu>

to be awarded under the first call for proposals from 4,131,652 EUR to 6,980,436.20 EUR, in order to support projects related to priority axis 1 and 16 projects related to priority axis 2, as well as 7 projects from the reserve list. Finally, 34 projects<sup>62</sup> were selected and 32 grant-contracts were signed on 10 June 2011<sup>63</sup>.

Due to significant delays in administrative checks and evaluation of project applications submitted to the first call for proposals and the pending risk of losing 2008 funds that should have been contracted by 27 November 2011, the Government asked for extension of 2008 Financing Agreement. By signing an Annex thereto, deadline for grant-contracts signing was extended for a period of one year. This neutralized the risk, at least for the time being.

Total of 122 applications were received on the second call for proposals launched on 14 June 2011, whose submission deadline was 14 September 2011. Selected project applications will be financed with IPA CBC 2010 and 2011, in total amount of 5,869,638 EUR for both countries, 15% of which is national co-funding provided by both countries, in equal shares of 7.5% that account for 440,223.5 EUR per country. Contrary to the first call for proposals, as part of this call the maximum amount per investment project was increased from 300,000 EUR to 500,000 EUR, and maximum duration of “soft” projects was extended from 12 to 18 months. Funds distribution between “soft” and “investment” projects was 20% and 80%, respectively. Project evaluation and selection is expected to be complete in the first quarter of 2012, and will be followed by contract signing. In the meantime, in October 2011, Operational Programmes were revised in terms of the new financial assistance committed for the period 2012-2013. The third call

for proposals is expected to be announced by the end of the second quarter of 2012.

93 applications were submitted to the first call for proposals (64 projects were submitted by Bulgarian project holders and 29 by Macedonian project holders). 34 projects were selected for support, where 14 projects have Macedonian project holders and 20 projects have Bulgarian project holders. Here as well, municipalities, regional development centres and regional public (education) institutions are more frequently represented than civil society organizations.

Same conclusions can be inferred for this CBC programme as those related to the first call for proposals for cross-border cooperation with Greece: a) municipalities, regional development centres and public (education) institutions are preferred and are considered to be secure partners; b) municipalities and centres for development of plan regions, as well as public institutions are more capable in terms of project preparation, compared to civil society organizations; c) municipalities are more interested to participate as project holders and partners. Municipalities of Kriva Palanka, Stip, Dojran and Kocani are considered more active in that regard.

Table below provides an overview of participation in project applications submitted to the first call for proposals.

<sup>62</sup> <http://www.ipa-cbc-007.eu/page.php?c=8&d=235>

<sup>63</sup> <http://www.ipa-cbc-007.eu/page.php?c=8&d=225>

Participation in the first call for proposals		
Municipalities/regional development centres	Holder	Partner
Kriva Palanka	1	2
Stip	1	2
Dojran	1	1
Kocani	1	1
Makedonska Kamenica		2
Delcevo	1	
Berovo	1	
Rankovce	1	
Lipkovo	1	
Konce	1	
Vinica		1
Karbinci		1
Novo Selo		1
Centre for Development of East Region	1	1
Centre for Development of Northeast Region	1	
Centre for Development of Southeast Region		1
<b>Total</b>	<b>11</b>	<b>13</b>
<b>Public institutions (education and cultural)</b>	<b>2</b>	<b>5</b>
<b>Civil society and professional organizations</b>	<b>1</b>	<b>6</b>

Table II-8 – Participation of Macedonian organizations in the first call for proposals for cross-border cooperation with Bulgaria

No data was obtained on unsuccessful projects, but we believe that the trend is identical. Evaluation of project applications submitted to the second call for proposals is underway. Total of 122 projects were submitted.

## 2.7. CBC Macedonia-Albania

Overall situation in terms of financial assistance for cross-border cooperation with Albania is marked by low level of performance and is reduced to several bilateral and trilateral projects in the field of environment protection. Cross-Border Cooperation Programme 2007-2013 between Macedonia and Albania was adopted by EC in December 2007 and included a financial breakdown only for the period 2007-2009. On the initiative of the Commission, the programme was revised and financial assistance was anticipated for the period 2010-2011 in compliance with the Multiannual Indicative Financial Framework 2010-2012. CBC programme with Albania defines 4 priorities: a) fostering economic development with emphasis on tourism; b) promoting sustainable support with emphasis on protection, promotion and management of natural resources and ecosystems; c) intensifying cultural exchanges between people and institutions; and d) technical support for programme implementation and timely delivery of results.

2007 Financing Agreement was signed on 28 March 2008 and set deadline for grant-contracts signing for 28 March 2010. Unfortunately, due to untimely completion of preparations and activities, as well as the pending risk of losing 2007-committed financial assistance, the Government requested a one-year extension for contract signing (28 March 2011).

2008 Financing Agreement was signed on 16 December 2009 and set deadline for grant-contracts signing for 16 December 2011. Extension to 2008 Financing Agreement was signed on 8 November 2011, in order to ensure additional four-month period for contract signing with successful project holders. This means that the deadline was postponed until 27 April 2012, which prevented de-commitment of 2008 funds.

2009 Financing Agreement was signed on 6 December 2010 and set deadline for grant-contracts signing for 6 December 2012. Again, one-year deadline extension was requested due to the pending risk of losing funds. On 31 December 2011 an application was submitted to extend 2009 Financing Agreement, whereby the contracting deadline was postponed for 19 March 2013, in order to harmonize deadlines indicated in the Financing Agreements signed with both countries. Notably, Macedonia signed the Financing Agreement on 4 December 2010, while Albania signed the Agreement on 19 March 2011.

Problems were noted in regard to implementation of 2007 technical assistance. Several deadline extensions were requested and resulted in the fact that these funds were still not in use in 2011. As late as March 2011, MLSF signed the Technical Assistance Agreement with the EU Mission in Skopje, in the amount of 204,000 EUR, intended as financial support for successful implementation of this programme.

Signing of 2010 Financing Agreement is also late, although it was planned to be signed on 30 November 2011. Total funds committed for 2010 account for 2,177,000 EUR for both countries, 1 million EUR of which are secured from EU funds and 177,000 EUR are national co-financing.

Joint Technical Secretariat (JTS) seated in Struga, Macedonia employs 3 people (one head and two officers), and one CBC manager from Albania. Satellite-offices are located in Elbasan, Albania. From programme's onset, JTS has moved to new premises. Database with

potential beneficiaries and key stakeholders has been established and is regularly updated on the basis of information collected during info-days and forums for project-partner finding.

Unfortunately, this is not sufficient! There is no special website for the programme, although this was announced as an activity from the programme's communication plan. In the meantime, JTC faced major problems in its work and was inefficient due to the fact that MLSG did not take any activities to overcome these problems. All this led to an extremely embarrassing situation. On 29 June 2011, the EU Mission addressed MLSG with a letter wherein it reiterated its writings from 17 May 2011 related to the limited efficiency of JTC in Struga. Key problems include: need for MLSG to secure a vehicle and cover related costs of JTC (for example, gas money); office fax-machine was out of order; JTC staff worked without employment contacts and without remuneration. In the meantime, MLSG gave JTS one vehicle to use. Another reason that prevents JSC to benefit from funds intended for technical assistance is the fact that MLSG has not secured needed co-funding from its budget and has not established the separate bank account needed for disbursement of funds.

Most absurd matter in this case – without any prejudice – is MLSG's complete and sheer lack of interest to take measures that would overcome the problems, in particular knowing that in continuity MLSG is led by a Minister from the Albanian population in Macedonia.

On the account of late establishment of joint structures needed, the first call for proposals for cross-border cooperation with Albania was announced on 9 June 2009 and concerned 2007 IPA CBC. 60 applications were submitted; their proposed budgets together accounted for a sum three times higher than funds available. High number of applications provides a clear indicator on the high interest for programme participation. Following the evaluation of applications

submitted to the first call for proposals and after the evaluation report was approved in March 2011, EC Delegations in Skopje and Tirana signed 17 grant-contracts. In June 2009, the EU Mission in Skopje signed 14 grant contracts, which account for financial assistance in the amount of 571,270.46 EUR.<sup>64</sup>

Second call for proposals, which included portion of 2007 funds and entire financial commitment for 2008 (3,525,000 EUR in total, of which 2,200,000 EUR are intended for Macedonia), was announced on 19 April 2010 and lasted until 19 July 2010. 83 applications were submitted, but their evaluation did not start in due time. As late as the end of 2010, the EU Mission warned national authorities about the likelihood of losing more than one million EUR from IPA 2007 if they do not immediately submit the revised proposal for the Joint Standing (Evaluation) Committee's composition, and therefore enabled the start of applications' evaluation and timely signing of grant-contracts in 2011.

Evaluation of project applications submitted for the second call for proposals was delayed because of certain difficulties in coordination efforts of Operating Structures in both countries. Main barriers identified in that regard include: frequent delays in organization of meetings; late appointment of members to evaluation teams; approval of proposed members by EC Delegations in Tirana and Skopje; and frequent changes made to composition of the Joint Standing Committee. Another factor that delayed evaluation of project applications from the second call was the lack of technical assistance to sign contracts with evaluators

from Republic of Albania. Evaluators were finally appointed following extensive consultations held with both EC Delegations. Nevertheless, the deadline set for use of funds committed was breached, and 1.3 million EUR were lost for the second call for proposals. Dynamics of activities was increased in the last quarter, i.e., in the period leading to JMC's meeting scheduled for 9 December 2011, whose agenda included discussion and adoption of final evaluation report. This should have completed the project evaluation and selection procedure. Once this report is approved by JMC and EU Delegations in Tirana and Skopje, grant-contracts will be signed with successful project holders in the first quarter of 2012.

The third call for proposals was also announced in this period (8 November 2011) and set submission deadline for 23 February 2012. This package includes financial assistance programmed for 2009, 2010 and 2011 in total amount of 4,995,000 EUR, of which 2,700,000 EUR are intended for Macedonia. This period was also marked by revision to CBC Operational Programme, adopted in October 2011.

60 applications were submitted to the first call for proposals, and 17 of them were selected for funding. 10 projects have Macedonian project holders, and 7 projects have Albanian project holders.

Tables below provide an overview of applications submitted. The first table shows the number of successful projects, organizations that appear as project holders, while the second table concerns unsuccessful projects.

<sup>64</sup> [http://eeas.europa.eu/delegations/albania/press\\_corner/all\\_news/news/2011/20110513\\_en.htm](http://eeas.europa.eu/delegations/albania/press_corner/all_news/news/2011/20110513_en.htm)

[http://eeas.europa.eu/delegations/the\\_former\\_yugoslav\\_republic\\_of\\_macedonia/documents/projects/contract\\_list2012\\_en.pdf](http://eeas.europa.eu/delegations/the_former_yugoslav_republic_of_macedonia/documents/projects/contract_list2012_en.pdf) - pg. 15 and 16

Successful projects - first call	Municipalities/ regional development centres	State/public institutions	CSO
Project holders from Macedonia	Bitola	Institute for New Technology, Innovation and Knowledge Transfer "Carl Friedrich Gauss", Bitola	8
<b>Total: 10</b>			
Project partners from Macedonia			<b>Total: 4</b>
<b>Total: 4</b>			

Table II-9 – Participants from Macedonia in the first call for proposals for cross-border cooperation with Albania

Unsuccessful projects - first call	Municipalities/ regional development centres	State/public institutions	CSO
Project holders from Macedonia	Gostivar Kicevo Debar Prilep Brvenica Bogovinje Struga Novaci Centar Zupa  Centre for Development of Polog Region	Faculty of Technical Sciences at the University "St. Clement of Ohrid", Bitola NI National Park Pelister Clinical Hospital, Bitola NI Museum, Bitola	23
<b>Total: 37</b>	<b>Total: 10</b>	<b>Total: 4</b>	<b>Total: 23</b>
Project partners from Macedonia	/	/	
<b>Total: 6</b>	<b>Total: 0</b>	<b>Total: 0</b>	<b>Total: 6</b>

Table II-10 – Unsuccessful participants from Macedonia in the first call for proposals for cross-border cooperation with Albania

83 applications were submitted to the second call for proposals, 32 projects had Albanian project holders, and Macedonian organizations appeared as project holders in 51 project proposals. 21 project applications were disqualified immediately after the opening of applications and administrative compliance checks. Following the review of project concepts, 9 projects were rejected and 1 application was withdrawn. 33 project proposals were not subjected to complete evaluation, because their proposed budgets exceeded the maximum amount set for financial assistance, and 5 applications were rejected in the aftermath of their thorough evaluation. 6 applications were

rejected due to their non-compliance with programme priorities and objectives. Only 8 projects were selected for financing (7 + 1 from the reserve list), and only 3 projects of them were submitted by Macedonian project holders. Albanian organizations appear as project holders in the remaining 5 applications.

Tables below provide an overview of applications submitted to the second call for proposals. The first table shows the number of successful projects and relevant project holders, while the second table presents unsuccessful projects.

Successful projects – second call	Municipalities/regional development centres	State/public institutions	CSOs
Project holders from Macedonia	/	/	3
<b>Total: 3</b>			
Project partners from Macedonia	/	/	4
<b>Total: 4</b>	<b>Total: 0</b>	<b>Total: 0</b>	<b>Total: 7</b>

*Table II-11 – Participants from Macedonia in the second call for proposals for cross-border cooperation with Albania*

Unsuccessful projects – second call	Municipalities/regional development centres	State/public institutions	CSOs
<p>Project holders from Macedonia</p> <p><b>Total: 48</b></p>	<p>Bitola Resen Krusevo Brvenica Tetovo Bogovinje Struga Zajas Novaci Centre for Development of Polog Region Centre for Development of Pelagonija Region</p> <p><b>Total: 11</b></p>	<p>Secondary School “Naum Naumovski Borce”, Krusevo Cultural Centre “Iljo Antevski Smok” Institute “Gauss”, Bitola Faculty of Economy at the University “Ss. Cyril and Methodius”, Skopje PE Komunalno, Struga NI National Park Galicica Macedonian Forests, Regional Office Prespadrvo, Resen MAFWE’s Regional Office</p> <p><b>Total: 8</b></p>	<p><b>Total: 29</b></p>
<p>Project partners from Macedonia</p> <p><b>Total: 26</b></p>	<p>Bitola Struga Vevcani Mogila Tetovo Gostivar + 1-2</p> <p><b>Total: 8</b></p>	<p>PE Komunalno, Struga</p>	<p><b>Total: 19</b></p>

Table II-12 – Unsuccessful participants from Macedonia in the second call for proposals for cross-border cooperation with Albania



It should be noted that civil society organizations from Macedonia appear as successful project holders in both calls for proposals for cross-border cooperation with Albania (except for one municipality and one public education institution), which is an opposite trend from the one noted in relation to successful projects from calls announced for cross-border cooperation with Bulgaria and Greece. 12 projects where Albanian organizations appear as holders include only 8 partner organizations from the civil society in Macedonia. As regards unsuccessful projects, the ratio between civil society organizations and municipalities/regional development centres/public institutions is almost 2:1.

Conclusions inferred are: a) advantage is given to civil society organizations and they are considered to have better projects, hold greater capacity for project management and are reliable partners; b) municipalities and some regional development centres, as well as public institutions from respective border regions lack capacity to prepare quality project proposals; and c) universities, faculties and institutions (University “Ss. Cyril and Methodius”, University “St. Clement of Ohrid”, University “Goce Delcev”, and in particular the Institute for New Technology, Innovation and Knowledge Transfer “Carl Friedrich Gauss” from Bitola) make maximum efforts to benefit from CBC possibilities and submit numerous projects. The same is true for regional development centres, in particular the Foundation for Development of Small and Medium-Sized Enterprises (Regional Business Support Centre from Bitola), Regional Development Agency for Pelagonija – PREDA from Prilep, Foundation for Local Development and IT Development from Gevgelija, some Chambers of Commerce and professional associations.

## 2.8. CBC Macedonia-Kosovo

Preparations for the Cross-Border Cooperation Programme with Kosovo started as soon as the necessary conditions were created, i.e., after the signing and ratification of the Border Demarcation Agreement and establishment of diplomatic relations in October 2009. Work on the Operational Programme started in December 2009 with the establishment of the joint working group, and was followed by relevant analyses, meetings and events of Operating Structures from both countries. Programming was completed in relatively short time period, i.e., in May 2010 when the Operational Programme was submitted to EC for approval and was officially adopted in December 2011.

Cross-Border Cooperation Programme 2010-2013 between Macedonia and Kosovo identifies the following priorities and objectives: a) introducing and continuing environmental protection activities in areas of environmental threats and degradation; b) safe and efficient border management, by securing necessary infrastructure facilities; c) improving local infrastructure and services in the environment sector, especially those with clear transnational dimension; d) improving competitiveness of local companies; e) intensifying people-to-people contacts in border areas; and f) technical assistance for programme implementation and timely delivery of results.

Total amount of financial commitment for the years 2010 and 2011 is 2,840,000 EUR for both countries, of which 1,420,000 EUR are intended for Macedonia (1.2 million EUR were secured from IPA and 217,000 EUR are co-financing from the national budget). As ironic as it may sound, 2010 funds were intended to support implementation of a joint, allegedly, strategic project between Macedonia and Kosovo, i.e., construction of new border crossing point Belanovce-Stanicic (shared building) and necessary infrastructure. Concerns are raised when cross-

border cooperation between two countries starts with border definition, which in practice can be interpreted as sign of mistrust. Governments of Macedonia and Kosovo, as well as the European Commission, are the only entities competent to account why CBC assistance was programmed in this manner.

On 26 July 2011, 2010 Financing Agreement was signed and implied access to funds allocated as technical assistance, in particular for establishment of necessary structures, as well as preparations for the tendering process in compliance with EU rules and procedures. 3 tender procedures are planned to be announced in 2012 and concern procurement of services, construction works and equipment. Deadline for contract signing is 26 July 2013, i.e., two years after signing the Financing Agreement. Deadline for performance of construction works set for 26 July 2015. Financial assistance committed for 2011 is planned to be disbursed by means of call for proposals, once 2011 Financing Agreement is signed. Joint Technical Secretariat (JTS) will be established in Kumanovo, and its satellite-office will be located in Gnjilane, Kosovo. Joint Monitoring Committee (JMC) is in place and held its first meeting in October 2011. Relevant calls for JTS and recruitment of 2 people for its office in Kumanovo were announced. JTS is expected to become fully operational in the first quarter of 2012.

It is expected that the Government and relevant institutions will learn from previous experiences related to other CBC Operational Programmes and will avoid repetition of mistakes made when implementing CBC Operational Programme with Kosovo. Actually, this will imply active administrative capacity building for MLSG and JTS in Kumanovo, intensive communication with potential beneficiaries and avoiding previous practices on breaching deadlines for contract signing and activity performance. This would prevent risks of losing funds and

would improve the dynamics of assistance implementation in the next years, thereby enabling citizens to benefit from EU assistance intended for cross-border cooperation.

## 2.9. SEE Transnational Cooperation Programme - ERDF<sup>65</sup>

South-East European Transnational Cooperation Programme aims to improve territorial, economic and social integration and to contribute to better cohesion, stability and competitiveness, by developing transnational partnerships and joint actions in areas of strategic importance. This programme focused on following topic-based priorities: a) stimulating innovations and entrepreneurship; b) environmental protection and promotion; c) improving access to and transnational synergies for sustainable development; and d) regional development.

SEE Cooperation Programme includes 16 countries<sup>66</sup> with total population of 200 million people. It is one of the most complex cooperation programmes in Europe. JTS is located in Budapest and employs 16 people. Programme's Operating Structure in Macedonia is MLSG and it participates in regular information exchange and decision-making. SEE Cooperation Programme is implemented centrally, by EC in Brussels. Several changes have been made to the programme document and they concern the minimum amount of financial support for projects, which was increased from 200,000 EUR to 300,000 EUR. All information

<sup>65</sup> <http://www.southeast-europe.net/>

<sup>66</sup> EU Member States, candidate countries and potential candidate countries, and third countries, i.e., Albania, Austria, Bosnia and Herzegovina, Bulgaria, Romania, Croatia, Macedonia, Greece, Hungary, parts of Italy, Serbia, Montenegro, Slovakia, Slovenia, Moldova and parts of Ukraine.

related to the programme and the calls for proposals are available on the special web portal: <http://www.southeast-europe.net/> .

40 projects were approved for funding with 2007 funds on the first call for proposals, six of which have project partners and one observing partner from Macedonia<sup>67</sup>. Co-financing for the five successful projects is secured from the Budget of the Republic of Macedonia. For that purpose, MLSG signed contracts on national co-financing in 15% with selected partners. Contracts on national co-financing were signed with several delays from the initial expectations.

Second call for proposals was announced on 23 November 2009 and lasted until 21 December 2009. It concerned disbursement of funds committed for 2008 and 2009. Indicative funds committed for Macedonia under this call amount to 1,018,997.40 EUR, where Macedonia is obliged to secure 15% co-financing. Total of 588 applications were submitted (144 of which included Macedonian partners), and 423 passed the first round of compliance checks. 244 applications were short-listed and 72 of them include participants from Macedonia. Second round of compliance checks approved 15 projects with 17 Macedonian partners. In the final round of evaluation, 26 projects were selected, 5 of which included Macedonian partners<sup>68</sup>. In 2011, the EU Delegation in Skopje signed contracts with the five project partners from Macedonia.

Third call for proposals was announced on 28 April 2011 and was open for submission of applications by 17 June 2011. Evaluation and selection of applications is underway. Total amount of funds to be disbursed under this call is 39,000,000 EUR, of which 30,000,000 EUR are secured from

the European Regional Development Fund, 8,000,000 EUR are secured from IPA and 1,000,000 EUR from the European Neighbourhood Policy Instrument (ENPI) intended for Moldova and Ukraine.

Fourth call for proposals was announced in October 2011 and lasted until 25 November 2011. Total amount of funds committed to this call is at least 43 million EUR from ERDF, more than 6 million EUR from IPA and 1 million EUR from ENPI. Additional funds could become available in case of savings under already approved projects.

Large portion of funds intended for technical assistance in the amount of 43,500 EUR (37,000 EUR secured by EU funds and 6,500 EUR as national co-financing) were awarded to MLSG in July 2010, but remained unused because MLSG is facing problems related to the assignment of separate bank accounts. On this account, MLSG requested and was granted extension to the contract by 1 July 2011. Additional extension was required because, to present, these funds remain unused.

Previous implementation of this programme and Macedonia's participation therein provide the conclusion that there is insufficient capacity to utilize possibilities offered by the programme and intended for beneficiaries from Macedonia. This is supported by the fact that Macedonian partners are relatively low in number under successful projects, while those that participate in projects act in the capacity of partners, and not project holders.

<sup>67</sup> [http://www.southeast-europe.net/en/projects/approved\\_projects/?call\\_no=1&country\[\]=9&x=24&y=13](http://www.southeast-europe.net/en/projects/approved_projects/?call_no=1&country[]=9&x=24&y=13)

<sup>68</sup> [http://www.southeast-europe.net/en/projects/approved\\_projects/?call\\_no=2&country\[\]=9&x=36&y=12](http://www.southeast-europe.net/en/projects/approved_projects/?call_no=2&country[]=9&x=36&y=12)

## 2.10. Conclusions and recommendations

It can be stated that implementation of IPA Component II: Cross-Border Cooperation is unsatisfactory and measures need to be taken to improve current state-of-affairs. Government and competent institutions have demonstrated poor commitment and engagement in implementation of activities needed to obtain relevant accreditations and conferral of management powers. Operating structure and competent authorities are non-functional, and they lack administrative and institutional capacity. Continuous delays and breach of implementation deadlines (launch of calls for proposals, administrative compliance checks and evaluation, appointment of staff in relevant structures, project approval, etc.) lead to risks of losing funds committed for given years in the financial perspective.

State-of-play in regard to information and promotion activities, launch of calls for proposals and, in general, promotion of CBC programmes and benefits they offer is disastrous. All these speak of the fact that the Government and involved institutions lack media strategy. Non-existence of functional websites and portals, as well invisibility of the few events organized are reflected in the number of quality project-proposals submitted.

Results related to programmes' financial implementation are also disastrous. Project implementation started as late as 2011 and grant-contracts are yet to be signed to implement projects selected on previous calls for proposals. This is partially due to the lack of staff and financial capacity of potential beneficiaries for project preparation, as well as insufficient information on training possibilities and absence of overall training strategy that would target potential beneficiaries and equip them with relevant skills on quality project preparation. Unfortunately, potential beneficiaries demonstrated low interest, in particular due to

the fact that they are aware of their inability to lobby with competent institutions to take relevant actions needed to improve the situation.

Utterly illogical and defeating is the fact that accreditation for IPA Component II has been defined as medium-term priority in the National Program on Adoption of the EU *Acquis* (NPAA 2012); in particular knowing that IPA's financial framework covers the period 2007-2013. The question is raised on when does the Government plan to obtain accreditation for IPA Component II? Would that be too late, considering the fact that 2014 will mark the start of programming for the new Instrument for Pre-accession Assistance? Shameful is also the fact that the state would not be able to obtain the accreditation by the end of the current financial perspective.

In order to address problems identified above and resolve system shortfalls, the Government and competent institutions should implement the following recommendations.

- 1) Government and competent institutions must be fully and intensively engaged in implementation of activities needed to obtain accreditation on decentralized management of IPA Component II. In practice, this would necessitate elimination of all barriers that prevent unhindered work of Operating Structure and other institutions competent to implement IPA Component II;
- 2) Ministry of Local Self-Government must immediately change its Act on Systematization of Jobs and align it with EC recommendations on establishment of IPA Component II's Operating Structure;
- 3) Government and competent institutions involved in implementation of CBC, especially MLSG - in the capacity of coordinator and main holder - must immediately take activities to enhance their administrative and institutional capacity and recruit additional non-partisan and qualified staff, by making due consideration of specific features of this work;

- 4) Government and competent institutions involved in implementation of IPA Component II should take all activities to eliminate previous practices on delays and breach of deadlines, as well as continuous requests for “no cost extensions” for Financing Agreement, as they are pursued at the eleventh hour and should save funds from “burning”;
- 5) Government and competent institutions involved in implementation of IPA Component II must immediately develop the joint strategy and plan on promotion of CBC programmes. In that, they should pursue mass and efficient use of printed and broadcasting media, especially local media outlets in the concerned border regions. Social networks and media should also be used, as well as the eight Centres for Development of Plan Regions, municipalities targeted by relevant CBC programmes, and Joint Technical Secretariats in Struga and Kumanovo, including their satellite-offices in Strumica and Bitola. Public Broadcasting Service (MRTV), as operated with citizens’ money, should air information that is of citizens’ interest rather than pursue political and propaganda shows and advertisements;
- 6) Special websites must become functional and should be regularly updated with relevant information on all CBC programmes. This is also true in the case of MLSG’s web portal, which is non-functional at the moment;
- 7) Government, in cooperation with municipalities and Centres for Development of Plan Regions, should develop a training strategy and allocate additional funds for training delivery on staff and financial capacity building needed for project preparation by potential beneficiaries;
- 8) Civil society should intensify work on awareness-raising between citizens and potential beneficiaries from border regions, in particular on possibilities and benefits offered by Cross-Border Cooperation Programmes, in order to increase the interest and absorption capacity in the state;
- 9) As soon as possible, the concept on legal clinic that would analyse and re-write unsuccessful projects must be developed and implemented in practice, with the aim to improve capacity of unsuccessful applicants and quality of future project proposals. By means of an analytical and hands-on approach, beneficiaries will be able to identify their weaknesses and acquire techniques for preparation of successful projects. At the same time, these activities would mitigate the general perception and speculations that process on project selection is influenced by political and other personal interests of people employed at line ministries and municipal administrations, as well as opinions that good projects are rejected in order to favour less efficient and useless proposals made by applicants with powerful connections.

### 3. IPA COMPONENT III: REGIONAL DEVELOPMENT

IPA Component III funds support candidate countries to attain two goals, those being: a) preparations for programming, implementing and managing Structural and Cohesion Funds; and b) implementing projects that are in compliance with national and EU priorities, especially in the sectors transport, energy and environment protection.

Given the goals to be achieved, financial assistance committed under this component is available only to candidate countries: Croatia, Macedonia and Turkey. IPA Component III applies the “*learning by*

doing” approach, and therefore it is important to have in mind that IPA Component III: Regional Development is a pre-accession instrument and not developmental instrument.

Component III’s strategic objectives are set in the Multiannual Operational Programme for Regional Development (hereinafter: Operational Programme), which in Macedonia’s case covers a period of three years, as requested by the Government, i.e., concerns the period 2007-2009<sup>69</sup>. Unfortunately, the established rule on non-translating important documents related to EU assistance programming into Macedonian language is observed in this case as well. Hence, website of the Ministry of Finance’s CFCD provides a brief description of Operational Programme 2007-2009, but the entire document is not uploaded and cannot be found even when browsing the section on key documents.<sup>70</sup>

IPA Component III is programmed for the entire financial perspective (2007-2013) and per sector. Financial assistance is intended to support sustainable development, by improving transport and environment infrastructure. In Macedonia, funds will support the following priorities: a) improving access to and safety of connections to neighbouring countries, by building and modernizing transport infrastructure along transnational axes (Corridors VIII and X); and b) stimulating regional development, by ensuring environment conditions necessary for quality of life and economic development pursuant to EU *acquis* applicable for infrastructure investments.

In order to gain better insight about funds available, the table below provides breakdown of funds programmed under IPA Component III.

IPA Component (million EUR)	2007	2008	2009	2010	2011	2012	2013
Regional development	7.4	12.3	20.8	29.4	39.3	42.3	51.8
<b>Total: 202.9 million EUR</b>							

Table II-13 – IPA Component III financial breakdown for Macedonia, in the period 2007-2013

Lack of recent and updated information on utilization of IPA Component III assistance prevents any conclusions on the current state-of-affairs to be inferred. FOI applications submitted to the Ministry of Finance’s CFCD were not responded to, which is contrary to IPA Implementing Rules. Most recent official data on Component III implementation can be found in the Commission’s Report to the European Parliament, the Council and the European Economic and Social Committee, from 11 October 2011<sup>71</sup>, as given in the table below.

IPA	Committed	Paid	% Paid
2007-2010	69.90	12.15	17.4%

Table II-14 – Implementation of IPA Component III, by 31.12.2010 (in million EUR)

<sup>69</sup> First Operational Programme for Regional Development 2007-2009 was adopted on 29 November 2007, by means of EC’s Decision CCI 2007MK161P0001.

<sup>70</sup> <http://cfcd.finance.gov.mk/english/IPA/OPRD>

<sup>71</sup> COM(2011)647 final, 2010 Annual Report on Financial Assistance for Enlargement (IPA, PHARE, CARDS, Turkey Pre-accession Instrument, Transition Facility), Brussels, 11.10.2011, SEC(2011)1198 final.

### 3.1. Operating Structure

In addition to candidate country status, beneficiary countries must have established decentralized management of EU funds (IPA). On this account, considerable amounts of assistance are programmed in the first years of the financial framework, notably for the purpose of supporting strict measures to be taken by the country in question with a view to obtain accreditation. Conferral of management powers happens once EC has established that beneficiary country's management and control systems are reliable to sufficient extent. Given the slow dynamics of accreditation activities, as well as implementation of IPA Component III, by the end of 2011 Macedonia faced an actual risk of losing the financial assistance committed.

By means of EC's Decision,<sup>72</sup> the Operational Programme 2007-2009 was adopted and the Financing Agreement entered into effect on 18 September 2009, only after management powers were conferred to relevant national bodies on 24 July 2009.<sup>73</sup>

IPA Component III's Operating Structure is comprised of several important bodies. CFCD (Central Financing and Contracting Department) at the Ministry of Finance is responsible for OP's implementation. In cooperation with the Ministry of Transport and Communications and the Ministry of Environment and Spatial Planning, CFCD is responsible for priority axis 4 on technical assistance. Unfortunately, although essential for the implementation of relevant activities, this body is understaffed.

Ministry of Transport and Communications (MTC) is responsible for

<sup>72</sup> EC Decision - C(2007)5721 of 29 November 2007.

<sup>73</sup> Commission Decision C(2009)5753 from 24 July 2009 on conferring management powers to the Republic of Macedonia concerning the management of Operational Programme for Regional Development.

priority axis 1 on completion of Corridor X, priority axis 2 on building and modernizing transport infrastructure, and priority axis 4 on technical assistance.

Ministry of Environment and Spatial Planning (MESp) is responsible for priority axis 3 on improving environment infrastructure and priority axis 4 on technical assistance. Same conclusion applies to these competent bodies, i.e., number of employees does not correspond with the workload analysis.

Agency for State Roads is responsible for implementation of activities related to priority axis 1 on upgrading other sections from Corridor X to motorway standards. Again, number of employees is insufficient to guarantee successful performance of activities defined in the Operational Programme.

All competent bodies must enhance their internal audit capacity, in particular the Ministry of Transport and Communications, as internal audit activities are on unsatisfactory level and necessitate immediate recruitment of internal auditor.

### 3.2. What are the funds for?

IPA Component III concerns three groups of investment in infrastructure, environment, and, after 2010, regional competitiveness. The Government, together with EC, programmed the financial assistance made available under four priority axes. Infrastructure investments should contribute to completion of activities on Corridors VIII and X and thus enable better cohesion with EU Member States and neighbouring countries in the region. Completion of these transnational axes will *“facilitate international and transit movements of people and goods, that support improved living standards and promote sustainable development,*



*especially by minimizing adverse effects of transport on the environment and by improving transport safety”.*<sup>74</sup> Allegedly, selection of projects for funding was based on previously performed economic analysis.

Environmental protection and nature preservation are values defined in the Constitution of the Republic of Macedonia and therefore they create responsibility for the citizens to protect natural resources, in particular waters and landscape. Projects selected for funding allegedly took due care of water and waste management plans. The approach applied is strategic and necessitates comprehensive environment investment strategy.

Regional competitiveness should improve attractiveness of regions, by building local infrastructure and service delivery that would facilitate growth of existing and creation of new businesses.

Assistance committed under priority axis 2 is intended to support transport infrastructure building and modernization. Focus is put on different investments in transport infrastructure network, with a view to facilitate movements of people and goods. Expected results include improved living standards, socio-economic environment and sustainable development, especially by minimizing adverse effects of transport on environment and by improving safety. Moreover, funds are allocated to support development of studies, Environment Impact Assessments (EIA), project feasibility studies, cost analyses, project and tender documents.

Activities under this priority axis will be supported with 1.7 million EUR, of which 1.275 million EUR are secured from IPA Component III and 425,000 EUR from the Budget of the Republic of Macedonia.

Priority axis 3 reads *“improvement of environmental infrastructure”* and aims to improve environmental protection through investments in

environmental infrastructure and create conditions for environment-friendly sustainable development. This project is expected to reduce pollution by untreated wastewater, by establishing waste water collection and treatment system. It will also increase the number of population connected to reliable sewage system and create conditions for sound solid waste collection and disposal and avoid further deterioration of the environment by uncontrolled waste management. Volume of municipal solid waste disposed to landfills will be reduced and share of waste (separated, composted and recycled) will be increased.

Project’s financial construction accounts for 1.4 million EUR, of which 1.05 million EUR are secured from IPA Component III and 350,000 EUR from the Budget of the Republic of Macedonia.

Priority axis 4 on technical assistance aims to achieve efficient implementation of the Operational Programme and implies timely delivery of measures and activities. An inclusive process in compliance with IPA Implementing Rules would necessitate public information and awareness on EU assistance, as well as on environmental issues, in particular state-of-affairs related to waste water management. Transport and environment sectoral policies will be developed, together with relevant plan documents. Also, this priority axis supports capacity building for the Operating Structure to prepare future Operational Programmes.

Total funds committed under priority axis 4 amount to 1.855 million EUR, of which around 1.4 million EUR are secured from IPA Component III and around 464,000 EUR from the Budget of the Republic of Macedonia.

<sup>74</sup> <http://cfcd.finance.gov.mk/macedonian/IPA/OPRD>



### 3.3. Slow, slower, the slowest...

Analysis of IPA Component III implementation to present resulted in the identification of two major problems: manner in which projects are selected and slow, even sluggish, implementation of projects.

Operational Programme 2007-2009 anticipates two major projects. The question raised here is why these projects were selected for funding and what criteria were used to take decisions on their implementation. In other words, why completion of Corridor X with the section Demir Kapija-Smokvice was given priority over Corridor VIII, for example, and why funding was committed to construction of waste water treatment plant in Prilep and not in Bitola, or for modernization of waste water collection system in Ohrid. Mayors were not consulted in the course of developing this Operational Programme, let alone citizens or the business sector.

It seems that same practices are pursued also in regard to the revision, i.e., the Operational Programme 2010-2013. To present, stakeholders have not been given insight in the draft version, although IPA Implementing Rules stipulate that development of Operational Programmes shall be an inclusive process, and should be accompanied with public promotion and communication of positive results achieved. The process on OP's revision for the period 2010-2013 also failed to consult individual mayors and the Association of Local Self-Government Units (ZELS), as joint platform of decentralized governments. Ministry of Environment and Spatial Planning lacks information as regards the development of this important document. Operational Programme 2010-2011, as amended in the manner indicated above, was adopted by EC on 4 November 2010<sup>75</sup> and the Financing Agreement was signed

in December 2010, whereby Macedonia was granted additional 68.7 million EUR.

Another problem identified in regard to Operational Programme's implementation is the permanently delayed start of activities under the second project (Corridor X). This project has been burdened with difficulties from the very start in 2008. After the financial construction was established, according to which 50 million EUR were allocated from Greece's Western Balkan Enlargement Plan, 27 million EUR from IPA Component III and remaining funds from loans, the Government of the Republic of Macedonia decided to rename highway E-75 into "Alexander of Macedon". With that, Macedonia became the only state in the world where highways are named with historian persons, instead of numbers and letters. This luxury cost the citizens 50 million EUR, as Greece withdrew the non-refundable bilateral assistance.

Of course, this raised problems in terms of project's financial construction. The Government did not deem necessary to explain how it will secure funds needed and whether they will be provided as non-refundable assistance or loan. In the meantime, governmental representatives stated that Corridor X will be constructed, as it is very important for Macedonia's accession in the EU<sup>76</sup>. To present, the public has not been informed on how much will this venture cost the citizens. According to NPAA 2012, construction of the section Demir Kapija – Smokvica (28 km) will cost 250 million EUR in total. Small portion of funds has been secured as non-refundable assistance under IPA Component III, while major share of funds needed is secured as loans from the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB). According to other sources,

<sup>75</sup> EC Decision C (2010) 7569 of 4.11.2010

<sup>76</sup> Statement given by Ivica Bocevski, who at the time was Deputy Prime Minister for European Integration.

it is a matter of 320 million EUR in investment, of which 45 million EUR are secured from IPA Component III, 130 million EUR are secured as loan from the European Investment Bank, 90 million EUR from the EBRD and around 55 million EUR are secured from the Budget of the Republic of Macedonia. Distressing is the increase in funds needed for this project's implementation, from 250 million EUR to around 320 million EUR. By the time the project is completed, its financial construction might be blown out of proportion.

Tender procedure for construction works on this road section was announced on 30 August 2011 and deadline for submission of bids was set for a period of 90 days from its announcement, i.e., by 6 December 2011. Expectations are that in the beginning of 2012 the contract will be signed with the successful bidder. National Programme for the Adoption of the EU *Acquis* (NPAA) – Revision 2012 indicates that construction works will start in the first quarter of 2012 and will be completed within a period of 48 months.<sup>77</sup> From today's perspective, likely is that this deadline will not be complied with.

As regards the construction of waste water treatment plant in Prilep, one look at deadlines is enough to conclude that Macedonia does not benefit from EU funds. Project activities are expected to be implemented by 2014, although funds were made available as early as 2007. This is yet another argument in support of the Government's limited capacity.

Level of involvement in the main two projects from IPA Component III is uncommon for a country that has been accredited for decentralized management of IPA. This shows that the Government is not concerned about the risk of losing its management powers and thereby of losing the financial assistance committed. One should not forget that IPA assistance is provided as non-refundable funds.

<sup>77</sup> National Programme for the Adoption of the EU *Acquis* – Revision 2012, pg. 296.

### 3.4. Conclusions and recommendations

Problems identified in regard to implementation of IPA Component III are identical to those noted under the previous two components. Problems related to institutional capacity was noted in this component as well. Namely, although the workload analysis has been developed, adequate staff is still not recruited for the purpose of implementing Operational Programme for Regional Development.

Revision to the Operational Programme for Regional Development 2010-2013 is not adopted. Meanwhile, consultations were not organized with stakeholders or with ZELS, in the capacity of the body that represents joint interests of local governments. For the time being, there is no information on projects that will be supported under the revised Operational Programme, although IPA Implementing Rules require inclusive consultations with all societal actors, including the civil society.

Activities on revising the Operational Programme have been reduced to commitment of additional funds for the period 2010-2011, notably by identifying new activities to be taken under already established priorities. New projects have not been proposed. In January 2010, the revised programme was approved by the Sectoral Committee. It seems that nobody in the Government is concerned with the fact that Macedonia will not be able to benefit from regional competitiveness, although that is of crucial importance for local governments and Regional Development Centres.

Construction of the section Demir Kapija-Smokvice in 28 km length has not started yet and its financial construction is comprised of small grant, while the remaining portion of funds will be secured from loans that will be serviced from the central budget. Despite problems related to the project's financial framework, deadlines are not complied with and construction works have not started.

In order to overcome problems identified, the Government of the Republic of Macedonia should make due consideration of following recommendations:

1. Ministry of Finance's CFCD must build its capacity and recruit adequate staff, in compliance with the workload analysis;
2. Other competent bodies in the management and control system must develop their capacities as well, for the purpose of implementing the Operational Programme for Regional Development (Ministry of Transport and Communications, Ministry of Environment and Spatial Planning and Agency for State Roads);
3. Consultations should be organized with all stakeholders in order to discuss priorities from the revised Operational Programme for Regional Development for the period 2010-2013, whereby the process must be inclusive and in compliance with IPA Implementing Rules;
4. National Development Plan must be prepared, and should imply an inclusive process with satisfactory level of consultations with societal actors. Developed in this manner, NDP will facilitate future programming of EU funds intended for the Republic of Macedonia.

#### 4. IPA COMPONENT IV: HUMAN RESOURCE DEVELOPMENT

To better understand IPA Component IV: Human Resource Development, one must refer to the third objective from the renewed Lisbon Strategy: *"creating more and better jobs"*. EU will attain this objective by recruiting and keeping people in employment, modernizing social protection systems, improving adaptability of workers and enterprises, as well as by improving market flexibility, increasing investments in human capital, improving knowledge and skills, increasing administrative capacity of Member States and providing assistance to maintain healthy labour force.

This objective is mirrored in IPA Component IV. By means of pre-accession assistance, EC supports candidate countries' preparations for implementation of the European Social Fund (ESF)<sup>78</sup>, access to which is granted only to EU Member States. Therefore, it does not surprise that priorities defined under IPA Component IV are aligned with the Regulation on ESF for the period 2007-2013. In other words, projects that will be considered eligible for funding must aim towards:

- a) increasing flexibility of workers and enterprises;
- b) promoting life-long learning;
- c) stimulating entrepreneurship;
- d) supporting restructuring efforts;
- e) improving access to employment and reducing unemployment;
- f) modernizing institutions on the labour market;

<sup>78</sup> Regulation (EC) of the European Parliament and of the Council no. 1081/2006 of 5 July 2006 on the European Social Fund

- g) implementing active and preventive policies and activities;
- h) increasing women's participation;
- i) increasing social inclusion of vulnerable groups and elimination of all forms of discrimination in the labour market;
- j) stimulating partnerships and networking in the sectors employment and social inclusion;
- k) increasing and improving investments in human capital, especially stimulating reforms in education and training systems;
- l) enhancing institutional capacities and efficiency of public administration and public services, social partners and relevant non-governmental organizations in the employment and social areas, and other similar activities.

#### 4.1. How much money is there?

IPA Component IV is intended to support human resource development in Macedonia. To this end and as part of the Multiannual Indicative Financial Framework (MIFF), EU has committed funds for every year of the financial perspective 2007-2013. In order to gain access to funds under IPA Components III, IV and V, beneficiary countries must: a) hold candidate country status; and b) obtain accreditation for decentralized management of IPA funds by the EC. On this account, smaller amounts of funds are allocated for the first years, and later they are significantly increased. The logic behind it is that state administration will first work on obtaining accreditation for decentralized management and capacitybuilding of potential beneficiaries, which will later demonstrate higher absorption rates. This is also represented in the table below.<sup>79</sup>

<sup>79</sup> [http://ec.europa.eu/enlargement/pdf/how\\_does\\_it\\_work/miff\\_12\\_10\\_2011.pdf](http://ec.europa.eu/enlargement/pdf/how_does_it_work/miff_12_10_2011.pdf)

IPA Component IV: Human Resource Development						
2007	2008	2009	2010	2011	2012	2013
3.2	6.0	7.1	8.4	8.8	10.38	11.20
<b>Total: 55.08 million EUR</b>						

Table II-15 – IPA Component IV financial framework for, for the period 2007-2013

By January 2012, ONLY 10 contracts have been signed in total value of ONLY 9.78 million EUR. These results become more worrying knowing that ONLY 3.46 million EUR thereof have been paid to contracted organizations.

Table below shows the implementation dynamics under IPA Component IV as recorded in December 2010, and provides the conclusion on Macedonia's limited capacity to absorb financial assistance.

Macedonia	Committed	Paid	Paid (%)
IPA 2007-2010	24.70	4.89	20%

Table II-16 - Implementation of IPA Component IV, by 31.12.2010 (in million EUR)

What does this imply in reality, how institutions function, which sectors were covered by the Operational Programme and why –just some of the questions that this analysis attempts to answer. Problems faced by the Republic of Macedonia will be identified and solutions will be provided with a view to improve implementation of IPA Component IV.

#### 4.2. Where is the civil society?

When analysing the system in place one must assess the manner in which system institutions operate. First is the Sectoral Monitoring Committee (SMC), which is comprised of four members and four deputy members, all of

them from the civil society. In the selection process, it was assumed that eight civil society representatives would provide greater representativeness and legitimacy.

However –as everything else in Macedonia – this simple operation stumbled upon many obstacles. First, deadline for nomination of civil society members in the committee was too short. In reality, civil society organizations had no time to prepare documents needed for committee participation, let alone organize their Executive Boards (or other decision-making bodies) to take legitimate decisions on whether they will take part in SMC's work, whether they have the relevant capacity and which CSO members will be nominated.

Moreover, the Ministry of Labour and Social Policy (MLSP) prevented some civil society organizations to participate and/or nominate members for the committee. Notably, in an attempt to learn more about responsibilities from potential participation in SCM, many organizations referred to MLSP for information. However, instead of clarifications, MLSP, deliberately or not, instructed many CSOs not to apply, indicating that their participation in SMC would imply conflict of interests when – during a later stage of IPA implementation – they wish to apply for funding under certain grant-awarding schemes. This, in conjunction with the short deadline, discouraged many non-governmental organizations to apply and ultimately resulted in smaller number of nominees from the required number (eight). However, instead of annulling the call for nomination and launching another call, a compromise solution was made to appoint deputy members from the same organizations of selected members.

Problems faced by civil society representatives continue. Their absence from SMC's work is more than obvious, and is most likely due to the suspicious selection process described above.

### 4.3. Other system malfunctions

Concerns are raised in regard to the number and quality of staff employed in IPA units established at line ministries. Given their current administrative capacity, it would be next to impossible for the Operating Structure to successfully implement all projects planned.

As of February 2011, IPA Coordinator at MLSP was re-assigned to the office director of another institution, while his former post was put on hold. Later, MLSP's State Secretary was entrusted with this office, but from June 2011 he is no longer part of the Operating Structure, because he was elected Member of Parliament. The temporary solution to have the Minister of Labour and Social Policy, Spiro Ristovski, act as IPA Coordinator is in place for too long (a whole year now) and affects the entire system's functioning.

Unclear is why the Government did not appoint new IPA Coordinator. Does this mean that there is no person with required skills and qualities in Macedonia or perhaps it means that there is no VMRO-DPMNE party member with such qualities? Nevertheless, this shows that the ruling party tends to transfer own staff from one institution to another, especially after they have attended EU-provided training. Unfortunately, staff transfers also happen at institutions relevant for Macedonia's EU Agenda, whereby trained and qualified staff is deployed to institutions that do not implement EU-related matters.

Table below shows staff transfers from one institution to another, as well as the decreasing number of employees. Data are taken from NPAA 2012.<sup>80</sup> In addition, the table provides an overview of actual employees compared against needs from the workload analysis.

<sup>80</sup> Chapter 22 (Regional Policy and Coordination of Structural Instruments), pg. 309, <http://www.sep.gov.mk/Default.aspx?ControlID=NpaaIzvestai.ascx>

SAB	Actual employees	Planned employees	Office	Entry	Exit
CFCD	20	28	programme monitoring - associate	03/2011	
			programme monitoring - advisor		06/2011
			programme monitoring - associate		10/2011
			programme monitoring - associate		11/2011
NF/MF			contract on temporary employment for internal audit at the Ministry of Finance	02/2010	
			Treasury Sector (MF) – assistant head	06/2010	06/2010 <sup>81</sup>
			EU funds accounting department – junior associate		09/2010
			financial management – advisor		11/2010
			fixed-term employment contract, previously worked under temporary employment contract	11/2010	11/2010 <sup>82</sup>
MLSP	7	15	IPA implementation – advisor	01/2011	internal <sup>83</sup>
			IPA coordinator on hold		02/2011
MES	4	16	IPA implementation – reassigned advisor		05/2011
			IPA programming (through UNDP)		09/2011
			IPA evaluation – reassigned advisor		10/2011
			IPA structure – transferred from the Secretariat for Implementation of the Ohrid Framework Agreement, junior associate <sup>84</sup>	12/2011	

Table II-17 – Mobility of administrative staff within state administration bodies and outside (Source: NPAA 2012)

<sup>81</sup> Employment contract of the then assistant head had expired, and new person was recruited for this position.

<sup>82</sup> The person previously employed through Agency for Temporary Employment left the Ministry of Finance.

<sup>83</sup> Internal reassignment actually implies reducing the number of employees at IPA structure.

<sup>84</sup> Due to incomplete data collection procedure, jobs in the IPA structure will be further defined.

Evident is that another challenge that the Government will face is the high rate of administration staff leaves/transfers, especially given that the monitoring information system is still not fully functional. Complicated procedures may cause major delays in tendering and project implementation.

Situation related to auditing is similar. Law on Audit of the Instrument for Pre-Accession Assistance was adopted in May 2010<sup>85</sup>, and according to relevant provisions contained therein, at the meeting held on 19 May 2010, the Government appointed Mr Vladimir Bahcovanovski as the General IPA Auditor.

This appointment is disputable for at least two reasons: 1) Mr Bahcovanovski does not have the professional experience required for the office, which is obvious from his education background (lawyer, and not economist); and 2) he was the Director of the Public Enterprise for Management of Residential and Business Property (PEMRBP), known for controversial activities related to state bonds and was believed to have acted on direct orders given by Prime Minister Gruevski. Nevertheless, one look at Mr Vladimir Bahcovanovski's Facebook profile<sup>86</sup> would suffice to confirm all fears about his close relations with the Prime Minister and the ruling VMRO-DPMNE, which is unacceptable for the responsible office he holds.

Final Audit Report from June 2011 reiterates the issue on understaffing at MLSP's IPA structures and qualifies it as major risk. Ministry of Finance's Internal Audit Department is responsible for auditing CFCD operations. Two auditors are employed in this department, while MLSP's Internal Audit Department employs three auditors. Ministry of Education and Science (MES) has two auditors.

<sup>85</sup> Published in the *Official Gazette of the Republic of Macedonia* no. 66/10 from 13 May 2010

<sup>86</sup> <https://www.facebook.com/vladimir.bahcovanovski>

#### 4.4. Priority axes

According to IPA Implementing Rules, financial assistance cannot be disbursed and spent if the *Multiannual Operational Programme for Human Resource Development 2007-2013*<sup>87</sup> (OP) is not adopted. Operational Programme provides details on individual projects and defines indicators used to measure the successful (or unsuccessful) implementation of IPA Component IV. EC, in cooperation with the Government, developed and adopted the Operational Programme in December 2007, which is of great importance for all potential beneficiaries in the country. The document covers a seven-year period and translates relevant funds committed in the Multiannual Indicative Financial Framework (MIFF) into projects. Potential beneficiaries, as defined further in this report, should consider this document as "the Bible" that should be incorporated in their strategic plans, of course, provided that EU integration is the goal we are working towards.

Operational Programme for IPA Component IV is divided into three, i.e., four priority axes, those being: 1) employment; 2) education and training; 3) social inclusion; and 4) technical assistance. Measures are defined for each priority axis and are expected to contribute towards attainment of established indicators. Fourth priority axis on technical assistance aims to support implementation of activities, enable efficient project monitoring, evaluation and administration, as well as information dissemination. Technical assistance also serves the purpose of training delivery for stakeholders on efficient use of funds made available under IPA Component IV. Table below shows the financial assistance breakdown per priority axis for the period 2007-2010.

<sup>87</sup> [http://cfcd.finance.gov.mk/content/resources/sites/CFCD/misceleniousFiles/HRD/OPHRD%20Republic%2007%20Macedonia\\_en.pdf](http://cfcd.finance.gov.mk/content/resources/sites/CFCD/misceleniousFiles/HRD/OPHRD%20Republic%2007%20Macedonia_en.pdf)



Priority axis	Share of funds (2007-2009)
Employment	42%
Social inclusion	30%
Human capital and employment	20%
Technical assistance	8%
<b>Total</b>	<b>100%</b>

Table II-18 – Financial assistance breakdown (2007-2010)  
per priority axis

Priority axis 1 on *employment* aims to attract and keep more people in employment, which will be achieved by four measures. Measure 1.1 anticipates further development of the Employment Agency of the Republic of Macedonia (EARM) and improving employment conditions. Measure 1.2 supports the implementation of the National Employment Strategy of the Republic of Macedonia and the Employment Action Plan. Measure 1.3 targets labour market integration of young people, women and long-term unemployed. Measure 1.4 aims to decrease the number of people engaged in grey economy.

Priority axis 2 on *education and training* will invest in human capital, by equipping them with better education and more skills. Measure 2.1 will modernize the education and training system, while measure 2.2 will increase access to quality education for ethnic communities. Adult education and life-long learning will be supported under measure 2.3.

Priority axis 3 on *social inclusion* aims to promote inclusive labour market. This objective will be attained by means of three measures: measure 3.1 will focus on fostering social inclusion of vulnerable population from underdeveloped areas; measure 3.2 supports integration of ethnic communities; and measure 3.3 will strengthen relevant actors in society.

Table below shows distribution of funds per priority axis and measures, in the period 2007-2009.

IPA Component IV: Human Resource Development						
Priority axis	2007	%	2008	%	2009	%
Priority 1	1,299,000	41%	2,697,500	45%	2,849,500	40%
Priority 2	960,000	30%	1,800,000	30%	2,130,000	30%
Priority 3	640,000	20%	1,200,000	20%	1,420,000	20%
Technical assistance	301,000	9%	302,500	5%	700,500	10%
<b>Total (in EUR)</b>	<b>3,200,000</b>		<b>6,000,000</b>		<b>7,100,000</b>	

Table II-19 – Breakdown of financial assistance, per priority axis, in the period 2007-2009

#### 4.5. Priority axis 1 projects

Prior to analysing implementation of IPA Component IV, one should first reconsider type of projects programmed, funded or in implementation, per priority axis and measure.

Measure 1.1 will support further development of EARM and improve employment conditions. As part of this project, EARM will improve effective and efficient service delivery by introducing organizational and operational changes, as well as changes to management procedures. The project will be implemented by the Italian contractor *Archidata SRI*. Project activities will start in January 2012 and will be completed in July 2013, while project's value is 1.37 million EUR. It should be



noted that this project is financed under IPA 2007, which again points to administration's limited capacity and lack of political will for timely utilization of non-refundable assistance provided by the EU. Situation noted in regard to other projects is identical.

Measure 1.2 will support the implementation of MLSP's National Employment Strategy, as well as other relevant bodies tasked with monitoring and evaluation. Another major benefit expected is the introduction of long-term forecasting and needs-assessment for the labour market. This project will be implemented as twinning with the Agency for European Integration and Economic Development, which is an Austrian-Slovenian consortium. As part of the project, MLSP is expected to develop long-term forecasts and needs-assessment for the labour market. Moreover, competent institutions, bodies and social partners will build their capacities and skills for employment policy and program monitoring and evaluation. Project activities started in September 2011 and will last until June 2013. Project's financial construction accounts for 1.8 million EUR.

In addition to common administrative difficulties, project implementation was burdened with other problems. At the very beginning of project implementation, the contractor requested the Residential Twinning Advisor (RTA) to be changed, due to alleged objective reasons. This automatically raised concerns about the legitimacy of the relevant procedure for recruitment of new RTA (although EC has approved it), especially knowing that in the bid evaluation process highest number of points were allocated to the person nominated as RTA. On the other hand, until new person is appointed (and until relevant changes are made to the contract), the advisor from project component 2 will have to perform tasks of the advisor for project component 1, which – in turn – undermines the quality of project implementation.

Measure 1.3 anticipates the implementation of "Support for Employment of Young, Long-Term Unemployed and Women" project, which was awarded as direct grant to EARM in the amount of 1.3 million EUR. This project is the only one whose activities started in 2010, and will be implemented by February 2012. Given the timely start of activities, this is the only project whose results will be visible soon, however, doubts are raised as to whether this will be the case.

Namely, problems were identified also in regard to this project's implementation. First, according to project documents, the project team was to be comprised of 10 persons, and only 8 were recruited. Employment of two persons is still underway. Evident is that these employees are recruited this late into project implementation for the purpose of complying with project requirements, rather than because of substantial needs. The silver lining in this case is the fact that staff employment, at least where rules must be complied with, is not an easy task for the ruling VMRO-DPMNE, especially if the employments in question must be approved by EC.

Second, project offices were established as late as August 2011, i.e., 6 months prior to project completion. To make the irony greater, procurement of furniture and computers took place in December 2011 (because the first call for bids failed, i.e., no bids were obtained), while training and internship activities intended for young people are planned to start in January 2012. One year has passed from the signing of project contract and activities are still in initial stage. Likely is that project extension will be requested, which – in turn – will complicate the awarding of second direct grant to EARM and risks of losing funds will re-surface.

This problem indicates poor administrative capacity in the country, but also limited strategic ability on the part of the Government. Unclear

Donor	2007	2008	2009	2010	Total per donor
Government of the Republic of Macedonia	1,500,000	3,200,000	4,000,000	4,500,000	13,200,000
UN/UNDP/GEF	1,400,000	3,000,000	2,300,000	2,000,000	8,700,000
Norway	1,400,000	1,000,000	850,000	250,000	3,500,000
Switzerland	600,000	700,000	1,000,000	1,000,000	3,300,000
Netherlands	10,000	800,000	1,800,000	400,000	3,010,000
Spain			20,000	1,200,000	1,220,000
Austria	510,000				510,000
SNV	50,000	120,000	50,000		220,000
Japan		200,000			200,000
<b>Total (in USD)</b>	<b>5,470,000</b>	<b>9,020,000</b>	<b>10,020,000</b>	<b>9,350,000</b>	<b>33,860,000</b>

*Table II-20 – Budget of UNDP Macedonia<sup>85</sup>*

is why the Government has decided to assign implementation of active employment measures to UNDP, instead of EARM, especially since it was aware that EARM will have to develop its capacities if it wishes to manage projects under IPA Component IV. Moreover, the Government decided to donate 13.5 million USD to UNDP for activities that should (and must) be implemented by EARM<sup>88</sup>. Table below provides overview of funds available to UNDP in Skopje and the relevant share thereof allocated from the Budget of the Republic of Macedonia.

This project has three components: 1) internship program to support first employment of youth up to the age of 27; 2) training on general skills; 3) training on skills required on the labour market. The general conclusion inferred is that project objectives are actively pursued and delivered, in particular given the number of applications submitted and measured against defined indicators. However, thorough analysis of figures given below provides a completely different image. First, employers express great interest in taking interns, but the number of internship applicants who qualify is much lower. This shows that

<sup>88</sup> For more information, see the Ninth Quarterly Accession Watch Report titled “Fisherman’s Tales” available at the websites of both organizations <http://mcet.org.mk/newsite/wp-content/uploads/2011/06/Q1AW2011.pdf>

<sup>89</sup> See UNDP’s website <http://www.undp.org.mk/?LCID=23>

the project was poorly communicated to employers and additional activities are needed in that regard prior to the announcement of next calls for internships. Unless relevant measures are taken to correct

matters, the project will be faced with decreased interest on the part of (unsuccessful) employers. Table below provides an overview of relevant figures from the internship calls.

Component	Call	Vacant posts	Eligible	Indicator
Component 1 – Employers - Interns	07/2011 and 09/2011 10/2011	536 /	87 647	512
Component 2 – Interns - Trainers	10/2011 10/2011	6867 280	6573 170	6600 126
Component 3 – Trainers	11/2011	994		820
Total calls as anticipated in the OP, 30 months after training delivery				800 <sup>90</sup>

Table II-21 – Situation recorded after announcement of calls

Similar is the situation with measure 1.4 that supports inspection services in fighting undeclared work (in total value of 1 million EUR). After tender documents were developed and approved by the EC Delegation in Skopje, they were submitted to all short-listed companies. Following was the evaluation process, *ex-ante* approval by EC and announcement in September 2011. Distressing was the fact that authorities decided to terminate the tendering procedure without contract-awarding, and in that referred to Article 17, paragraph 2, item c from EC's Decision 2008/969/EC: "*having due regard to the obligation to protect the Community's financial interests and image*". MLSP informed about its intentions to announce the call again, and explained that the project is of great importance and will, most probably, include additional activities, which will be supported with funds committed for the period 2010-2011.

As regards reasons behind authorities' decision not to award the contract, it should be noted that the tender procedure was terminated because the successful contractor was on the Commission's blacklist. This proves that the early warning system functions well, but raises an important question: how was it possible for national authorities to have learned of this fact only after the procedure was completed?

Indisputably, MLSP suffers from major shortfalls in professional capacities, especially after the Minister of Labour and Social Policy was appointed IPA Coordinator. In practice, this means that the Ministry, and thereby the priority axis, does not have adequate representative that would take decisions, which is reflected on operational level. In this context, the question is raised on why the Government has not appointed a person to this office and in that endangers the accreditation for IPA Component IV.

<sup>90</sup> Multiannual Operational Programme for Human Resources Development 2007-2013 for the Republic of Macedonia, pg. 60.

## 4.6. Priority axis 2 projects

Measure 2.1 includes a project on modernization of education and training systems and was initiated in October 2011. This project is supported by funds allocated under IPA 2007 in total amount of around 2.9 million EUR. It has two components: a) twinning project, in the value of 2.1 million EUR; and b) procurements, in the value of around 863,000 EUR. Twinning activities will support development of standards on vocational qualifications, reformed curricula, preparations for training and training of trainers, and provision of instruction materials needed to implement the reformed vocational education and training (VET) curricula.

Twinning partner of the Macedonian Centre for Vocational Education and Training is the Institute for Vocational Education and Training of the Republic of Slovenia. Situation related to project implementation is identical with those indicated above. Project activities were initiated as late as October 2011, although they are funded under IPA 2007. Project duration is 23 months, i.e., it will be completed by September 2013. This project as well faced problems related to office premises (by mid-December, no solution was found in terms of project team accommodation). For more than one year, the Centre for Vocational Education and Training claimed that it would move to new premises at the Public Broadcasting Service (MRTV), which was duly covered in our Accession Watch Reports. Temporary premises offered by the Ministry of Education and Science are unacceptable and provide evidence in support of the fact that the Ministry does not understand the essence of twinning instruments.<sup>91</sup>

Measure 2.2 supports ethnic communities' integration in education. This project was also envisaged as twinning. It will be supported with around 1.1 million EUR and will be implemented by the Agency for European Integration and Economic Development from Austria. Project activities are funded under IPA 2007 and are expected to start in March 2012 and last until June 2013 (15 months). Macedonian partner is the Directorate for Development and Promotion of Education in Languages of the Communities at the Ministry of Education and Science.

Measure 2.3 provides support to the Centre for Adult Education (hereinafter: Centre), with a view to develop adult education and literacy curricula, and support completion of primary education for socially deprived persons. This is another twinning project worth around 1.7 million EUR. It will be implemented by a consortium comprised of the French Public Interest Group for the Development of Technical Assistance and International Cooperation (*GIP International*), as project leader, and the Spanish *Fondacion Internacional y para Iberoamerica de Administracion y Politicas Publicas (FIIAPP)*. Again, the project is financed under IPA 2007, but was initiated as late as September 2011 and will last 25 months.

Initiation of project activities was marked by many complications. Namely, staff changes were made to the position Director of the Centre for Adult Education, who also acted as project leader from the beneficiary country. Then, the twinning partner changed the junior project manager from the Member State. Key problem that will affect project implementation is the insufficient number of staff employed at the Centre. For some time, the Centre hopes that its human resource capacity will be increased with staff transfers from other state institutions. The fact that staff transfer requests were made to the Secretariat for Implementation of the Ohrid Framework Agreement indicates that these posts will be recruited from the line of political party members.

<sup>91</sup> Twinning is an institution building instrument. This means that the institution is already established and therefore experience sharing from Member States can only be beneficial. Twinning is not suitable for projects where minimum institutional memory is not developed. In this case, the Centre for Vocational Education and Training lacks basic conditions for work, for example, offices. The issue on adequate office premises originates from the time when USAID's project was implemented and to date remains unresolved.

As was the case with other IPA Components, the question raised is why the Government insisted on twinning projects even in cases where there were no conditions for such projects? Notably, the Centre is a relatively new institution with limited annual budget of only 200,000 EUR. Thus, concerns are raised in regard to Centre's ability to manage project implementation in the value of 1.7 million EUR. By definition, twinning projects – as instruments for institutional development – require the beneficiary institution to have certain level of operation in order for the twinning activity to be successful. It cannot be successful in cases of newly established institutions, such as this Centre.

#### 4.7. Priority axis 3 projects

Measure 3.1 will stimulate social inclusion and inclusive labour market. Project in the value of 1.5 million EUR is pending signature from the selected contractor and is expected to start in January 2012. Project activities will be implemented for a period of 20 months.

Measure 3.2 on promotion of inclusive labour market targets labour market integration of women from minority communities. This project will be supported with 2.1 million EUR and is comprised of two components. The first component, supported with 0.5 million EUR, will be implemented by means of contracted services on capacity building for labour market integration of marginalized women, with special focus on women from ethnic minorities. The second component, for which around 1.6 million EUR have been secured, will be implemented as grant-awarding scheme for the purpose of improving employment changes on the labour market for women.

Deadline for submission of applications related to the first component is 26 January 2012, and deadline set for the second component was breached beyond any professional standards. Notably, the first call for applications

was announced in June 2010 and to present (January 2012), i.e., one and half year later, official results of the application evaluation process are not published.

This first attempt on the part of public administration to implement a grant-awarding scheme following the accreditation for this IPA Component proved to be extremely difficult and terribly disappointing knowing that the EC Delegation in Skopje returned the report on application evaluation on several occasions and requested additional clarifications, and on one occasion suspended the evaluation process. After the evaluation process was suspended, EC presented its comments in written and provided recommendations to address problems identified, which – unfortunately – we were unable to obtain in order to include them in the present analysis. Having in mind that IPA Component IV is designed to be implemented as grant-awarding scheme and judging by experiences from the first grant scheme, inevitable is the conclusion that Macedonia will face problems with absorption of financial assistance in the following years.

Measure 3.3 will strengthen local stakeholders to take active part in social inclusion efforts. It anticipates large number of training sessions targeting municipalities and civil society representatives, in order for them to develop projects on social inclusion. Project contract in the value of around 150,000 EUR was signed in October 2011 with *Cambridge Education* from the United Kingdom, while training activities will be implemented for a period of 12 months. Project's success will depend on the participation level of municipalities and CSOs in organized training sessions.

#### 4.8. Priority axis 4 projects

Measure 4.1 concerns EU support for the country's preparations to manage the European Social Fund (ESF), by implementing IPA Component IV. Again, this support is realized as twinning project in the

amount of around 0.7 million EUR and is implemented by the Regional Development Unit at the Finish Ministry of Employment and Economy. Project activities were initiated in December 2010 and by now the project has entered the final stage, after the contractor was granted 3-month extension. Project results are yet to be summarized, but the fact that project extension was requested due to unimplemented activities indicates limited capacity on the part of state administration bodies in Macedonia to receive assistance.

Second project from this measure concerns the evaluation of the Operational Programme for Human Resources Development 2007-2013 (component 1) and evaluation of monitoring indicators and evaluation of measures (component 2). Again, the project is funded from IPA 2007 and was initiated as late as June 2011. Consortium *ARS Progetti* from Italy is the project's implementing party. The project is funded with 173,000 EUR and will be implemented in a period of 18 months.

This project is expected to result in overall report that will analyse progress achieved in terms of goals defined under the Operational Programme and thereby provide fresh data and tools for stakeholders (the Government, administration bodies and beneficiaries), in order to improve assistance programming and OP management in the second stage of implementation (2012-2013). According to rules established<sup>92</sup>, evaluation results will be submitted to EC and will be made available to broader public.

Implementation of the communication action plan for the Operational Programme 2007-2013, supported with 177,000 EUR, was initiated in December 2010 and should be completed within a period of 24 months, i.e., by December 2012. The same consortium from Italy

(*ARS Progetti*) implements communication activities.

Project implementation did not go as smoothly as initially planned. Actually, the first draft-report developed by the consultant was of poor quality, hence Ministry of Finance's CFCD suspended all subsequent expert missions. Undoubtedly, this was reflected in the final product, both in terms of time and quality of documents produced. In order to find a solution for this problem, the consultant offered to replace the team leader and one junior expert, which has been deemed acceptable by CFCD.

Two very important questions are raised here: first, why is the OP's communication action plan developed so late into its implementation, and second, why does the Italian *ARS Progetti* apply frequently to calls announced by the CFCD in Macedonia? Without any intention to imply foul play, one must acknowledge that doubts should be raised knowing that *ARS Progetti* is the contractor in 3 from the total of 14 projects implemented under IPA Component IV, where in two cases it acts as project holder, and in one project it acts as partner in consortium (*Archidata SRI*<sup>93</sup>, for measure 1.1 on EARM's modernization).

Another project implemented under this measure is related to establishment of database management for IPA Component IV, in the value of 50,000 EUR. Project activities were initiated in September 2011 and will be implemented in a period of 8 months.

Finally, the last project from priority axis 4 concerns direct funding for IPA Component IV's Operating Structure, in the value of around 305,000 EUR. It is a matter of covering costs incurred for organizing Monitoring Committee's meetings, engagement of additional staff, organization of info-days, etc. However, even in this aspect the

<sup>92</sup> Pursuant to Article 86 of the Financing Agreement.

<sup>93</sup> <http://www.archidata.it/en/news-ideas/news/archidata-frame-contractor-della-ue.html>

administration faced many problems. Namely, it was demonstrated that the legislation is incompatible for outsourcing additional assistance, which means that the law governing employment through Agencies for Temporary Employment is not aligned with EU rules, as defined in “PRAG”. Consequently, new staff should be engaged pursuant to the Law on Labour Relations and only after project implementing units are established at competent institutions (MES, MLSP and CFCD) and relevant changes are introduced to their Acts on Systematization of Jobs. These activities require additional work and time.

#### 4.9. Committed for de-commitment?

Here, we again refer to the ‘n+3’ rule applied to assistance programming and expenditure under IPA Components III, IV and V, where ‘n’ is the programming year (year of budgetary commitment). In practice, this means that financial assistance should be disbursed or spent two (or three) years following the year of budgetary commitment, or they will be lost (de-committed). In other words, deadline before the so-called “de-commitment” of funds<sup>94</sup> is 31.12.2010 for projects programmed in 2007 and 31.12.2011 for projects programmed in 2008. In addition, beneficiary countries dispose with additional method on “saving” inactive funds, by requesting so-called pre-financing, which, in essence, is advance payment.<sup>95</sup>

<sup>94</sup> So-called “de-commitment” is stipulated under Article 137 of the Regulation no. 1605/2002.

<sup>95</sup> Article 42 of the EC Regulation no. 718/2007 of 12 June 2007 implementing Council Regulation (EC) No. 1085/2006 establishing an instrument for pre-accession assistance (IPA).

By utilizing advance payments, Macedonia has managed to “save” significant funds from IPA Component IV, but risk of losing them is increasing as we approach towards the end of 2012. Table below provides an overview of advance payments made, as recorded by 15 December 2011.

IPA Component IV budget for 2007-2008 9.2 million EUR				
Pre-financed	Paid	Accounted	Planned for payment by the end of 2011	Unaccounted
4.8 million EUR	2.9 million EUR	2.3 million EUR	1.4 million EUR	4.4 million EUR <sup>96</sup>

Table II-22 – State-of-affairs related to absorption of financial assistance

Figures given in the table show that Macedonia has utilized ONLY 2.3 million EUR (accounted for before the EC) from the total of 9.2 million EUR made available in the programming period 2007-2008. Status of remaining financial commitment is the following: 4.8 million EUR have been reserved as advance payment and likely is that 4.4 million EUR planned for this period will also be reserved as advance payment by the end of 2011. Therefore, by the end of 2012, Macedonia will have to spend and account for all funds committed as advance payment (4.8 and 4.4 million EUR, i.e., 9.2 million EUR in total) plus funds committed under IPA Component IV 2009 (7.1 million EUR), or 16.3 million EUR in total. Given that in the period 2007-2011 Macedonia has absorbed

<sup>96</sup> These are approximate figures, since we could not obtain the precise figures from CFCD at the Ministry of Finance.



only a small portion of funds committed, likely is that by the end of this calendar year, relevant institutions and project teams will not be able to spend eight times more funds that are made available. In order to prevent programmed funds to “burn”, relevant project proposals for the period 2010-2011 must be immediately developed and approved by the EC.

#### **4.10. Conclusions and recommendations**

In the period 2007-2013, Macedonia has at its disposal around 50 million EUR committed under IPA Component IV. By January 2012, only 10 contracts were signed in total value of ONLY 9.78 million EUR, of which 3.46 million EUR have been paid to project contractors.

Macedonia’s decentralized management system was accredited, as the main precondition for utilization of IPA Component IV funds. To this end, relevant institutions were established and conferred with required authorization, as follows: Competent Accrediting Officer (CAO), National Authorizing Officer (NAO), National Fund (NF), National IPA Coordinator (NIPAC), Program Authorizing Officers (PAOs), Senior Program Officers (SPOs), Strategic Coordinator, Operating Structures, Sectoral Monitoring Committee (SMC), Central Financing and Contracting Department (CFCD) and Audit Authority.

Inconsistencies in operation were noted from the establishment of relevant bodies. Members in the Sectoral Monitoring Committee include representatives from 4, instead of 8, civil society organizations, notably due to the poorly-led selection process and obstructions imposed by MLSP. Consequently, civil society representatives are invisible in the Committee’s work.

Number and quality of staff recruited for IPA units established at line ministries is another major problem. Trained staff is reassigned from one institution to another, i.e., from institutions closely related to Macedonia’s EU Agenda to institutions irrelevant to this process. It seems that increasing number of civil servants leave the public administration, compared to the number of newly employed servants. Many job positions remain vacant and malpractices with employments made pursuant to the Ohrid Framework Agreement continue.

The Government appointed Vladimir Bahcovanovski as the General IPA Auditor, although he lacks required professional experiences and, as the former Director of the Public Enterprise for Management of Residential and Business Property, is deemed to be close to Prime Minister Gruevski.

Projects implemented as part of IPA Component IV face numerous problems, such as: change of the Resident Twinning Advisor half-way into project implementation, problems related to project staff engagement, delayed establishment of project offices and procurements, poorly communicated projects to stakeholders, selection of untrustworthy company, which was later detected by the early warning system, frequent changes of responsible persons at in-country institutions, mismanagement of the first and only grant-awarding scheme, etc.

Revision to the Operational Programme for Human Resources Development 2007-2013, monitoring indicators and evaluation of measures should take place in timely fashion, and this time the Operational Programme must be translated into Macedonian language. Drafting of the OP’s communication action plan is also late.

Direct financing of running costs incurred by IPA Component IV’s Operating Structure raised the issue of national legislation’s incompatibility, i.e., the law governing employment through Agencies for Temporary Employment is not aligned with EU rules stipulated in “PRAG”.



In addition to poor administrative capacity, the Government also demonstrated limited strategic planning. Unclear is why active employment measures are implemented by UNDP and not EARM, for which the Government awarded the former 13.5 million USD.

Unclear is why the Government insists on twinning projects, even where there are no conditions for such projects (i.e., the hosting institution is relatively new). On the other hand, grant-awarding schemes are avoided at large, although the underlying principle of IPA Component IV is implementation of these schemes.

By referring to pre-financing or advance payment, Macedonia succeeded in “saving” significant amounts of assistance committed under IPA Component IV, but now risks de-commitment if funds are not paid by the end of 2012. By the end of 2012, Macedonia will have to spend all funds committed as advance payments (9.2 million EUR) plus funds committed under IPA 2009 in the amount of 7.1 million EUR, or 16.3 million EUR in total. Certain is that by the end of this year Macedonia will not be able to spend these funds, unless project proposals for the programming period 2010-2011 are immediately developed.

This analysis enabled categorization of problems identified in regard to implementation of IPA Component IV into three broadly-defined groups:

- Administrative;
- Institutional; and
- Political.

Administrative problems concern institutions’ willingness to deliver what they have been established for. When adopting the Operational Programme for Human Resources Development 2007-2013, Macedonia assumed certain responsibilities. Fulfilment of these responsibilities

requires capacitybuilding for all institutions and bodies related to this programme. Analysis shows that despite EU investments made for the benefit of administration bodies, tangible results are still missing.

Institutional problems concern capacity (or absence thereof) at potential beneficiaries of IPA Component IV, such as: schools, trade unions, civil society organizations, the Employment Agency of the Republic of Macedonia, organizations of employers, small and medium-sized enterprises, youth, women, persons with disabilities, marginalized ethnic communities (for example, Roma), educational institutions, etc. Many of these entities lack relevant capacity (and budget) to implement small projects in the value of 1,000 EUR, let alone projects whose value accounts for an average of 300,000 EUR.

Finally, political problems seem to be the most concerning ones. They include: appointment of political party members as IPA Auditors; failure to recruit staff for vacant posts at institutions, in particular posts of strategic importance; reassignment of civil servants pursuant to unknown rules, in that failing to consider consequences of such actions; recruitment of new political party staff where genuine professionals are required; etc. Lack of political will is best demonstrated by the fact that to present the Operational Programme for Human Resources Development 2007-2013 is not translated, let alone communicated to potential target groups. This becomes more distressing knowing that the Government has special budget account (quite high) for translation of literature and professional magazines, but the Operational Programme is not enlisted for translation (this is also the case with Operational Programmes for IPA Components III and V). Lack of political will is when needed office premises are not secured for projects programmed as twinning activity and when the beneficiary country fails to meet its

co-financing commitment, as that would equal to non-disbursement of financial assistance, and consequently, absence of any results.

In order to address shortfalls identified above, due consideration should be given to following recommendations:

1. IPA Component III and IV Strategic Coordinator should correct inconsistencies in the Sectoral Monitoring Committee's work, by announcing new call for appointment of members and deputy members from the line of civil society organizations and by guaranteeing that there will be no obstructions to this process. This process will likely result in active participation of CSO representatives and will contribute to better implementation of future projects. Moreover, the Committee will provide crucial inputs for the revision to the Operational Programme for Human Resources Development 2007-2013;
2. After they are adopted, the Revision to the Operational Programme for Human Resources Development 2007-2013 and monitoring indicators and evaluation of measures should be translated into Macedonian language. Development of the communication action plan for the Operational Programme should be accelerated;
3. Urgent actions are needed to recruit competent staff for IPA units at line ministries and other implementing structures, with a view to initiate programming of funds committed for the years 2012 and 2013 from the revised Operational Programme for Human Resources Development. Trained staff must not be reassigned to other institutions, and employments pursuant to the Ohrid Framework Agreement must be accompanied with adequate capacitybuilding training. Employments should be made according to the workload analysis, which has determined the number of staff required. MLSP's Strategic Coordinator must be immediately appointed;
4. The Government should dismiss Vladimir Bahcovanovski from the office General IPA Auditor and appoint another person who holds adequate professional experience and is free of any political baggage;
5. Amendments should be introduced to the law governing temporary employments, with a view to align it with EU rules set forth in the practical guide "PRAG". This would facilitate direct financing of costs incurred by the Operating Structure;
6. The Government should re-examine its cooperation with UNDP and focus on capacity building for EARM, making due consideration of the fact that EARM will be the central institution responsible for, *inter alia*, implementation of active employment measures in compliance with the guidelines for the European Social Fund;
7. Future programming of financial assistance should avoid excessive use of twinning projects and should focus on grant-awarding schemes. Success of future projects will depend on measures anticipated under priority axis 4, which means that more funds should be programmed for capacitybuilding of relevant stakeholders and potential beneficiaries. Potential beneficiaries can also benefit from capacity-building activities implemented under IPA Component I 2012-2013, which is being programmed at the moment. Grant-awarding schemes should be given due consideration with a view to address piled-up advance payments. Provided that potential beneficiaries are trained in due time, they can absorb available funds and thereby bring benefits for the entire society. On the contrary, likely is that by the end of 2012 Macedonia will not be able to spend these funds and will lose them;
8. To prevent de-commitment of funds that should be spent in the course of this year, the Government must design measures to improve its administrative capacity. This is the right moment to realize employments planned under the workload analysis;

9. The Government must immediately develop the National Development Plan that would serve as strategic framework for public investments. This document's goal is to increase Macedonia's international competitiveness, as needed for sustainable development and higher employment;
10. To prevent de-commitment of funds in the future, the Government should establish a separate fund that would support capacitybuilding for potential beneficiaries. According to the principle of framework consultants (both, natural persons and legal entities), announcement of open call for grant schemes should be synchronized with special training programs that would be delivered in the period when the call is open for submission of project-proposals. This will result in capacity-building for target groups, but also project preparation according to the "*learning by doing*" principle. As regards payment of consulting services, the Government may consider re-institution of the voucher system that was operational in 2005 and 2006.

## 5. IPA COMPONENT V: RURAL DEVELOPMENT

The main goal of IPA Component V: Rural Development is to improve market efficiency in sectors related to agriculture and agricultural products processing, by aligning the national system with EU standards on one side, and by developing rural economy through diversification of agricultural activities, on the other side.

In the period 2007-2013, access to IPA Component V is granted only to candidate countries. Expectations are that in this period, the candidate country will use funds committed for this purpose and will

guide its focus towards meeting EU standards in due time, thereby enabling continuous system harmonization.

Rural development is the only IPA Component that targets the private sector, i.e., the revenue-generating sector. Financial assistance for this sector will contribute to increased food production (primary and secondary), while at the same time fulfilling EU standards, in order to facilitate export of confectionate foodstuffs at higher prices on the European market, rather than to sell/export raw agricultural products (fruits, vegetables, milk and meat) at lower prices, and later import confectionate foodstuffs by European producers at considerably higher prices. The goal is simple and clear: to put an end to the worldwide practice on using Macedonian agricultural products as raw materials. Time is right to start modernizing in-country production facilities and sell our products as final products on the EU and global markets.

This might sound abstract and intangible, but the IPA Regulation provides detailed guidelines on how this can be achieved. Again, three priority axes have been defined under IPA Component V, and they include detailed measures that the candidate country should translate into draft-programme (IPARD) that would define implementation of measures, selection criteria for project-proposals and funding once the project is complete.

As complicated as it may sound, these objectives are attainable, and – as a matter of fact – that is why they are defined in such manner. Attainability of objectives can only be seen as part of a higher policy goal that must be duly incorporated in the candidate country's national strategic documents. Implementation of these measures should enable full-fledged integration and alignment with EU *acquis*, particularly in regard to the Common Agricultural Policy. This exercise should enable the candidate country to prepare - by administering IPA funds - for

efficient utilisation of funds from the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development, once it is granted EU membership. Successful implementation of IPA Component V is a step closer to full-fledged EU membership.

However, it remains to be seen whether (and to what extent) planned activities are implemented. In order to gain better insight in funds committed for Macedonia under IPA Component V, one must reconsider breakdown of funds allocated for the financial perspective 2007-2013.

Year	IPA Component V (in million EUR)
2007	2.1
2008	6.7
2009	10.2
2010	12.5
2011	16
2012	19
2013	21.03
<b>Total</b>	<b>87.53</b>

Table II-23 – IPA Component V financial breakdown for Macedonia

### 5.1. How are the funds programmed?

IPA Component V is implemented in decentralized manner<sup>97</sup>, which differentiates this component from other IPA Components. This difference is evident: IPARD Operating Structure, comprised of the *Agency for Financial Support in Agriculture and Rural Development*

(AFSARD)<sup>98</sup> and IPARD management body, approves projects for funding and payments thereof. In reality, this means that AFSARD is responsible for sound financial management, including selection of economically sustainable investments whose final goal is to improve beneficiaries' position in the domestic market, as well as in the Single European Market, while the management body is responsible for development of IPARD Operational Programme and define relevant measures and sub-measures, as well as selection criteria for funding.

Implementation of IPARD programme was initiated on 23 December 2009, when the first call for IPARD applications was announced. In the period from 2006 until the announcement of this call, i.e., for more than three years, the administration bodies in Macedonia were preparing for accreditation of internal control systems that would guarantee sound financial management and assure EC that the system will reduce risks of financial malpractices with IPARD funds, as was the case with Bulgaria and Romania in the period 2000-2006 when SAPARD instrument was in place.

Programming activities were initiated in 2006 and were completed in December 2007, when EC's Directorate General for Agriculture and Rural Development adopted the decision on approving IPARD's first version, which would later be subject to modifications on two occasions in the period until December 2009, notably for the purpose of adjusting the programme to actual needs of direct and indirect stakeholders, such as: agricultural holdings, citizens' associations, farmers, natural persons, legal entities, etc. In practice, this meant that effective implementation could be expected as late as 2010, and even 2011. Later in this document, we analyse whether these expectations became reality.

<sup>97</sup> See section on Decentralized Management, pg. 13

<sup>98</sup> [http://www.ipardpa.gov.mk/Root/mak/default\\_mak.asp](http://www.ipardpa.gov.mk/Root/mak/default_mak.asp)

*Operational Programme for Rural Development* was adopted in early 2008 and covers the entire seven-year period (2007-2013). The document is more than 700 pages long, and, unfortunately, it has not been translated into Macedonian language, although it has been uploaded on AFSARD's website<sup>99</sup>. Unclear is why the Operational Programme is not translated, in particular knowing that translation thereof was anticipated and financed under CARDS projects. According to competent officers at MAFWE, the translated document is not made available on the account of the poor quality of translation. On the other hand, the Government continues to advertise and even brags with its Rural Development Programme 2007-2013, although it is written in English language.

This programme focuses on three priority axes that provide the backbone of EU's Rural Development Policy, which is integral part of the Common Agricultural Policy. As regards the Macedonian IPRAD, programming of funds for the period 2007-2009 was focused on several from the total of 9 measures defined under all three priority axes, as referred to in Article 171 from IPA Implementing Rules. Following is the description of priority axes and measures. Priority axis 1 on *improving market efficiency and implementing community standards* is comprised of three measures: measure 101 - **investments in agricultural holdings**; measure 102 - **support to producer groups**; and measure 103 - **investments in processing and marketing of agriculture products**. Priority axis 2 concerns *preparatory actions for implementation of agri-environmental measures and local rural development strategies (leader approach)*, and is comprised of: measure 201 - **preparation for implementation of actions related to environment** and measure 202 - **preparation and implementation of local rural development**

**strategies (leader approach)**. Finally, priority axis 3 concerns *development of the rural economy*, and is comprised of three measures: measure 301 - **development and improvement of rural infrastructure**, measure 302 - **diversification and development of rural economic activities** and measure 303 - **improvement of training**.

Macedonia has access to measures 101, 103 and 302. Except for measure 505 on *technical assistance*, whose beneficiary is IPARD management body established at MAFWE, the first stage of assistance programming did not target other measures. In the second stage of programming, IPARD management body was responsible to programme other measures. Nevertheless, to present, MAFWE, and in that, the Government of the Republic of Macedonia, have not made technical proposals for the remaining five measures (102, 201, 202, 301 and 303). Knowing that according to the IPA Regulation, programming of funds can take up to two years, inevitable is the conclusion that Macedonia will not manage to announce the calls for measures that have not been programmed yet.

## 5.2. How are the funds used?

Having in mind that EC's Directorate General on Agriculture defines the indicative budget, one can only be certain about funds made available to Macedonia by the end of 2016, of course, provided that they are disbursed in timely manner, or otherwise will be lost. However, due to the fact that these measures are not targeted in the IPARD Programme and given the time needed for programming, the conclusion reached is that by the end of 2013 Macedonian farmers and potential beneficiaries can apply only for IPARD funds committed for the three measures indicated above.

<sup>99</sup> <http://www.ipard.gov.mk/mk/programa>

As regards other matters, it remains to be seen what preparations the management body at MAFWE will make for programming assistance under the new financial perspective 2014-2020, which in practice means that funds planned for the period 2007-2013 will remain unused.

Financing Agreement for IPA Component V was signed on 19 February 2010 and concerns assistance in total amount of 31.5 million EUR committed for the period 2007-2010. Once the decentralized management accreditation was obtained, relevant authorities announced five calls for applications. First call for applications was announced in December 2009 and was open until 22 February 2010. The first call also marked the first problem in relation to implementation of IPA Component V. On the request from potential beneficiaries, the submission deadline was extended until 13 March 2010. 133 applications were submitted, and only 27 contracts were signed. Table below provides the breakdown of contracts per measure.

Measure	Applications submitted	Contracts signed
101 - investments in agricultural holdings	58	15
103 - investments in processing and marketing of agriculture products	41	11
302 -diversification and development of rural economic activities	34	1

Table II-24 – Applications submitted and contracts signed, per measure

This table shows that number of applications that did not fulfill compliance criteria was extremely high. It also shows that central government bodies did not prepare potential beneficiaries in timely or sufficient manner, which becomes obvious from their request to extend the submission deadline. Analysis of problems faced by farmers shows that state administration bodies are accountable for major obstacles in the process, for example, compliance certificates were not issued in due time, number of facilities from the applications were actually illegally constructed and therefore the applicants could not obtain construction permits or certificates on fulfilment of minimum national standards for environment protection. In terms of institutional problems, municipalities and the Directorate for Environment Protection were the least flexible authorities in solving problems related to required documents for application. As regards previous experiences with IPA Component V calls, most interesting is the Government's failure to find solutions to problems falling under its competences? To certain extent, this demonstrated egoism on the part of the Government, as it does not feel compelled to timely consult stakeholders.

Second call for applications was announced on 30 September 2010 and its submission deadline was 29 November 2010. 112 applications in total were submitted to this call, 67 of which concerned actions pursuant to measure 101, 25 for measure 103 and 20 for measure 302. At the end, only 36 contracts were signed: 25 contracts for measure 101 and 11 contracts for measure 103.

Third call for applications was announced on 28 February 2011 and the submission deadline was 14 April 2011. From the total of 74 applications submitted, 39 applications concerned measure 101, 13 concerned measure 103 and 22 were related to measure 302.

Fourth call for applications was announced on 16 July 2011 with submission deadline by 31 August 2011. Total budget available for this call amounted to 18,565,000 EUR. 30 from the total of 60 applicants concerned measure 101, 11 proposals were related to measure 103 and 19 to measure 302.

Fifth and last call for applications was announced on 25 October 2011 with submission deadline by 9 December 2011. This call is still under implementation, i.e., pending final approval of applications and contract signing. According to information obtained from competent officers, contract signing is expected to happen in March 2012.

Concerns are raised in regard to the fact that number of farmers' applications is continuously decreasing. If the first call for applications was marked with 133 applications submitted, their number was halved on the last call announced - 60 applications. This shows that farmers are slowly, but certainly, losing interest in submitting applications for IPARD funds.

Table below shows implementation status of IPA Component V: Rural Development, as noted in December 2010.

	Committed	Paid	Paid (%)
IPA 2007-2010 (in million EUR)	31.50	2.85	9.05

Table II-25 – Implementation of IPA Component V, by 31 December 2010

As seen in the table, funds made available under this component are used modestly. If utilization continues to be low, certain is that by the end of 2012 Macedonia will not absorb the entire pool of funds committed for 2009 (10.2 Million EUR), which must be contracted by December 2012.

### 5.3. Eligible measures

As regards measure 101 (investments in agricultural holdings), total of 194 applications were submitted on the four calls announced and they accounted for proposed investments in total value of 9,677,337 EUR, of which 4,981,386 EUR are secured from IPARD. Farmers were most interested to invest in: orchards (106 applications), vineyards (31 applications), vegetables (25 applications), milk production (17 applications) and meat production (15 applications).

IPARD Agency has approved 62 applications for this measure (without the fourth and fifth call, because results thereof are still not announced), which accounts for approval rate of only 37.8%.

Total of 90 applications were submitted for measure 103 (processing and marketing of agricultural products), where total investments reached 22,924,808 EUR, of which 11,262,148 EUR were secured from IPARD. Most interesting sectors for investments, as noted in applications submitted on the four calls announced, include: wine production (10 applications), processing of fruits and vegetables (56 applications), dairy products (20 applications) and meat processing (4 applications). 30 projects have been approved and they account for approval rate of 38% (without applications submitted on the fourth call).

As regards measure 302 (diversification and development of rural economic activities), 94 applications were submitted on the four calls announced and they account for total investment of 12,639,360 EUR, of which 6,026,779 EUR were secured from IPARD. On all four calls announced, highest number of applications concerned support to microenterprises based in rural areas (43 applications), promotion of rural tourism (45 applications) and other (6 applications). Only 8 projects have been approved, which accounts for approval rate of 10.5% (without applications from the fourth call).



Geographical distribution of applications provides another interesting conclusion. Namely, majority of applications (279 from the total of 378) concern projects in Pelagonija Region, Eastern Macedonia, Southeast Macedonia and Vardar Region. More specifically, 86 applications concern projects in these regions. However, highest approval rate was noted in regard to Southeast Region (40%), Vardar Region (31.6%), Eastern Region (28.4%), Skopje Region (27%), Pelagonija Region (25.3%), Northeast Region (10%), Polog Region (6.2%) and Southwest Region (5.5%).

Breakdown of projects approved per measure, accompanied with relevant amounts of funds secured is given in the Tables from the Annex to this report.

#### **5.4. Governmental accomplishments or what?**

Obvious is that MAFWE and the Government believe that National Programmes for Support to Agriculture and Rural Development can replace EU's IPARD, and not only complement it. This cannot (and must not) be the case, in particular knowing that, by rule, National Programmes are of social, rather than developmental character and that they do not focus on attainment of standards, unlike IPARD, whose aim is to support attainment of EU standards.

Thus, one cannot be surprised by the fact that from 2006 onwards, the Government has not published any official analysis on outcomes achieved by investing 300 million EUR in national funds disbursed as part of MAFWE's programs and implemented by AFSARD. Citizens in Macedonia have no idea whether investment of these funds has resulted in increased agricultural production, has reduced the country's trading deficit on the account of increased exports of processed agricultural

products as final foodstuffs, or whether these investments have resulted in increased exports of agricultural products.

Again, doubts are confirmed that IPARD is held hostage by National Programmes by means of which the Government guarantees its strong constituency. Agricultural subsidies are disbursed under different and streamlined procedures compared to those applied for approving IPARD funding. Knowing that to present, around 100,000 beneficiaries of agricultural subsidies have been registered in Macedonia, inevitable is the conclusion that social programmes intended for agriculture support have decreased farmers' interest for IPARD, which, by rule, is subject to more complex procedure, on one hand, and implies that potential beneficiaries have secured full amount of investments, on the other hand.

Furthermore, Macedonia faces problems related to already established institutions, which are accredited by EC. This is particularly true for the Ministry of Finance's Central Financing and Contracting Department, which is the "heart" of the system. It seems that the Government does not take seriously the importance of this institution, given the frequent changes of staff and insufficient number of employees. Government's behaviour seriously jeopardizes the accreditation.

At first glance and compared to other four IPA Components, even this unremarkable efficiency may seem impressive. Unfortunately, further analysis of the state-of-affairs reveals that from total of 125 contracts signed with successful applicants, funds were paid to ONLY 40 beneficiaries, in total amount of around 1.5 million EUR. This utilization rate does not suffice to state that IPA Component V is more successful than other IPA Components. Although total value of contracts signed accounts for 14 million EUR, from today's perspective, one cannot be certain that they will be paid. Payment of financial assistance depends



on farmers' efficiency in investment realization and efficiency of AFSARD administration in approving payments.

Despite governmental efforts to implement a grandeur campaign, realized by MAFWE's IPARD management body, campaign activities remain wishful thinking. This becomes more distressing, knowing that in all other fields of action the Government has proved to be a "reverent believer" in campaigns. Unclear is why the Government failed to design a decent campaign that would address farmers, in particular given the broad scope of issues covered by campaigning activities financed with national budget funds. Campaign advertisements that are broadcasted in all electronic media and concern portrayal of successful farmers serve the purpose of advertising the Government (under the motto "*It's nice to have somebody to help*"), instead of guiding and educating potential farmers and applicants.

National Extension Agency for Agriculture (NEA), as body within MAFWE, employs around 200 people deployed to more than 80 regional and local offices. Obvious is that advisory services are inefficient given that they have been established for the purpose of assisting interested potential beneficiaries and in that reduce time and costs related to seeking relevant consulting services, as they would provide free-of-charge services.

As regards IPARD implementation, the need for appropriate national level land policy has been reiterated on several occasions in the last two years. This policy would serve the purpose of determining size of land plots given for use to applicants, addressing property tenure disputes, determining possible malpractices with land plots used by one or more beneficiaries, etc. Actually, it was not by incident that 2008 Accession Partnership included the following short-term priorities: "*speed up the registration of agricultural land in the real estate cadastre;*

*ensure collection and processing of sound and reliable agricultural data; continue preparations to establish effective and financially sound paying bodies for the management and control of agricultural funds, in line with EU requirements and international auditing standards*". According to this document, medium-term priorities should be pursued for a period of 2-3 years, which means that by now Macedonia should have achieved the following: "*upgrade the capacity of the agricultural administration and complete preparations for enforcement and practical application of the management mechanisms of the common agricultural policy, in particular the integrated administration and control system (IACS), and ensure a functioning land parcel identification system (LPIS)*".

Fresh capital that would be made available to potential beneficiaries is an important clog in this process. Establishing links between banks and beneficiaries is of great importance in that regard, having in mind that average farmers or companies do not dispose with 100,000 EUR needed for investments, but in 100% of cases people refer to financing institutions for loans. Unfortunately, this is not the case in Macedonia because of several reasons.

As early as IPARD's programming stage, the Government should have made due consideration of the fact that banks will be the most important clog in the crediting system that targets farmers, and later in withdrawal of IPARD funds. Unclear is why banks were not included from the process's beginning, i.e., the moment when the Operational Programme for Rural Development was defined. As interest rates are inappropriate to current market conditions, obvious is the reason behind the absence of any synergy between governmental policies. It is a matter of simple mathematics: why would banks credit farmers, when they make greater profits with significantly lower risks when they invest their capital in purchasing treasury bills.

## 5.5. Conclusions and recommendations

Monitoring of IPARD implementation provides the inevitable conclusion that utilization of funds is still low. Reasons are obvious when knowing that IPARD funds are intended for a completely different group of beneficiaries than those who apply for agricultural subsidies. When referring to financial assistance committed, noticeable is that although funds have already been allocated to measures 101, 102 and 302 – in the relevant amounts – unlikely is that they will be used, especially knowing that announcement of calls, approval of applications and contract signing can take as long as 6 months.

Moreover, poor administrative and institutional capacity, cumbersome and long bureaucratic procedures on funding approval contribute to the general low absorption rate. On the other hand, there is no political will to induce necessary institutional and regulatory reforms that would accelerate the application process and reduce scope of documents needed for submission. This implies that state administration bodies involved in “*regulatory guillotine*” - considered to be the country’s major advantage in attracting FDIs - should truly assist applicants in obtaining documents needed.

Concerning is the fact that number of applications submitted by farmers is continuously decreasing from call to call. This is indicative of farmers’ decreased trust in benefiting from funds available or their shifted focus on getting the “easy money”, i.e., agricultural subsidies awarded by the Government. Consequences of this policy cannot be precisely determined as the Government did not make any analysis of effects achieved with the disbursement of 300 million EUR in budget funds on the account of agricultural subsidies.

To make matters worse, the Government has not designed an appropriate campaign to assist potential beneficiaries of IPARD and

integrate it into institutional infrastructure established for that purpose. Campaigns, used for self-advertisement of the Government, do more harm than good (they induce the feeling of incompetence and frustration with average farmers when watching endless number of “*success stories*” shared by fellows who have succeeded).

At first glance, although it seems that Macedonia has demonstrated better results under IPA Component V compared to other IPA Components, a detailed analysis thereof shows that in this regard it is equally unsuccessful. Namely, from total of 125 contracts signed, funds were paid to only 40 beneficiaries in total amount of around 1.5 million EUR. Value of all contracts signed accounts for 14 million EUR.

Given the problems indicated, urgent action is needed to address them and thereby enable access to IPARD funds for farmers. For that purpose, following recommendations must be taken into consideration:

1. Operational Programme for Rural Development (IPARD) must be translated and published in Macedonian language. Farmers, as potential beneficiaries of IPA Component V, are entitled to information on the contents of the seven-year IPARD programme, as well as the purpose for which EU funds were programmed, in order to make their own developmental plans and programs. Having in mind that most rural areas in Macedonia are populated with Albanians, the Operational Programme must be translated also into Albanian language;
2. A system must be in place and functioning, whereby competent authorities will, *ex officio*, obtain documents on behalf and for the benefit of applicants. This would result in less time needed to complete documents required for submission in attachment to applications, as well as reduced costs for applicants;

3. Role of MAFWE's advisory services must be strengthened, in order to render them on constant back and call for applicants and enable provision of free-of-charge advice to interested potential beneficiaries. Number of these services should be increased, not in terms of new employees, but offices established. Moreover, a voucher system on consulting services should be designed, whereby final beneficiaries (farmers) can select the consultant and use the Government-issued voucher to pay for services received;
4. Macedonian Bank for Development Promotion (MBDP), in particular the Credit Department that was responsible for implementation of IFAD (International Fund for Agricultural Development), must work on approving agriculture credits with discounted interest rates. This would contribute to greater utilization of IPARD funds, provided that MBDP completes the triangle: IPARD-beneficiaries-banks (fresh capital), in particular because average farmers/companies do not dispose with 100,000 EUR for investment purposes, but address banks for loans.

## 6. WHY COMMUNITY PROGRAMMES?

Community Programmes are one of the instruments used by EU to deliver the Lisbon Agenda. They provide special source of funding intended to establish cooperation among different groups of beneficiaries from Member States and aimed to contribute to further deepening of European integration processes in given areas, with a possibility to transform them into EU common policies. Community Programmes usually focus on areas where Member States are most protective of their competences and refrain from transferring them as

EU level competences. Notably, they concern three groups of areas: 1) sensitive areas, because they are connected to the national identity and state sovereignty (education, culture, media, human rights, etc.); 2) areas where integration processes do not suffice and could be improved (customs, taxation, social protection, anti-discrimination and others); and 3) new areas liable to development of cooperation and whose results trigger relevant policy-making processes (energy, climate change, European citizenship, active citizenship, etc.).

### 6.1. Eligibility for Community Programmes

Community Programmes are financed from EU's budget and thus the right to benefit therefrom is given to EU Member States only. However, after the Thessalonica Declaration from 2003<sup>100</sup>, which confirmed the European perspective of Western Balkans, the EU opened these programmes to candidate countries as well. To provide equal footing for participation, EC requires these countries to make a financial contribution. Requirements, rules and procedures related to financial control and audit are same for all beneficiary countries and they are regulated by means of Memoranda of Understanding signed for each Community Programme. Financial contribution thereto is called "*entry ticket*" and the amount thereof is set in the Memorandum of Understanding signed for each programme and year individually. In order to enable and facilitate participation of countries with limited funds, the European Commission allowed them to use IPA funds for the purpose of co-financing relevant entry tickets. Such co-financing should decrease in time, i.e., over a period of several programme years.

<sup>100</sup> <http://www.stabilitypact.org/reg-conf/030621-thessaloniki/declaration.asp>

Once the entry ticket is paid (from national or EU sources) unutilized funds cannot be refunded. This is why countries should thoroughly reconsider their individual capacities (needs and possibilities) to absorb funds available for projects in areas covered by different Community Programmes. Based on these analyses, the countries should take their decision on participation in individual programmes.

## 6.2. Community Programmes in Macedonia

Most Community Programmes are implemented centrally (in Brussels) by the European Commission, i.e., the competent Directorate General. For the purpose of increased efficiency, EC has established several separate executive agencies that assist it in managing separate (sub)programmes. Executive agencies organize and implement open calls for proposals, evaluation and selection of bids and monitor project implementation. Education, Audiovisual and Cultural Executive Agency (EACEA)<sup>101</sup> is responsible for certain aspects of programmes Culture, Europe for Citizens, MEDIA, Life-Long Learning and Youth in Action. Executive Agency for Competitiveness and Innovation (EACI)<sup>102</sup> is competent to manage some subprogrammes and actions taken under CIP. Other bodies and institutions competent for different Community Programmes include the Directorate General for Information Society and Media, Directorate General for Research and Innovation, Directorate General for Enterprises and Industry, European Investment Bank (EIB) and European Investment Fund (EIF), as well as the European Enterprise Network (EEN).

On the other hand, each participating state is obliged to institute national contact points. Contact points are responsible for programmes' promotion to the broad public and in particular to potential beneficiaries; they also facilitate networking and identification of relevant partners in other participating countries, and take part in working sessions organized by standing committees responsible to manage individual programmes.

In 2006, the Government of the Republic of Macedonia adopted a decision to start negotiations for participation in nine (9) priority Community Programmes, those being: 1. Seventh Framework Programme for research and technological development - FP7 2007-2013; 2. Competitiveness and Innovation Programme - CIP; 3. Europe for Citizens 2007-2013; 4. PROGRESS 2007-2013; 5. Culture 2007-2013; 6. MEDIA 2007; 7. Lifelong learning - LLL 2007-2013; 8. Youth in Action; 9. LIFE +. Moreover, in 2007 and 2008, the Government decided to join additional five Community Programmes, as follows: 1. Fiscalis 2007; 2. Customs 2007; 3. Prevention and Fight against Crime; 4. Health; and 5. Civil Protection Financial Mechanism.

Macedonia negotiated and signed corresponding Memoranda of Understanding and paid entry tickets for the following programmes: FP7, PROGRESS, CIP<sup>103</sup>, Culture and Europe for Citizens. Following the initial accreditation of the National Agency for European Education Programmes and Mobility (hereinafter: National Agency) and the several pilot projects, Youth in Action and Life-Long Learning (LLL) Programmes were suspended<sup>104</sup> due to irregularities in grant-awarding

<sup>101</sup> [http://eacea.ec.europa.eu/index\\_en.php](http://eacea.ec.europa.eu/index_en.php)

<sup>102</sup> <http://ec.europa.eu/eaci/>

<sup>103</sup> Participation only in the first subprogramme – Entrepreneurship and Innovation Program (EIP).

<sup>104</sup> For more details see the Annual Activity Report 2010 of the Directorate General for Education and Culture, available at: [http://ec.europa.eu/atwork/synthesis/aar/doc/eac\\_aar.pdf](http://ec.europa.eu/atwork/synthesis/aar/doc/eac_aar.pdf)

procedures. In November 2011, the Directorate General for Education and Culture terminated suspension's effect and the National Agency's accreditation process is underway<sup>105</sup>.

On the account of non-aligned legislation, EC has blocked Macedonia's participation in Media 2007<sup>106</sup>. EU *acquis* in the field of media aims to regulate the common market for audio-visual services, regardless of the technology used (TV, Internet, mobile telephones and devices) for service provision, notably by defining common rules of play. Moreover, the regulation takes into account particular societal values, such as: prohibiting dissemination of hate and hate speech on different grounds, and also regulates issues of advertising, sponsorship, commercial promotion, etc. Separate section is dedicated to regulation of public radio and TV broadcasters, and is based on the principle of guaranteeing pluralism and fulfilment of democratic, social, cultural and other needs of all societal groups. MEDIA 2007 can be activated only after national legislation is aligned with the new Directive<sup>107</sup> in this field.

Initially, the Government expressed interest to participate in LIFE+ by forwarding a letter of interest to DG Environment; however, later it adopted a decision on reconsidering its interest for participation therein. According to governmental documents that were made available to us, this "reconsideration" is due to the fact that the entry ticket for this programme was "too high". Hence, accession to LIFE+ Programme was discontinued.

<sup>105</sup> Full accreditation of the National Agency implies the acquisition of the right to decentralized project and fund management under these two EU Education Programmes.

<sup>106</sup> More information on the Media Programme is available at: [http://ec.europa.eu/culture/media/index\\_en.htm](http://ec.europa.eu/culture/media/index_en.htm)

<sup>107</sup> More information on the Audio-visual Media Services Directive is available at: [http://ec.europa.eu/avpolicy/reg/tvwf/index\\_en.htm](http://ec.europa.eu/avpolicy/reg/tvwf/index_en.htm)

From 2009, the Ministry of Finance, i.e., the Public Revenue Office<sup>108</sup> and the Customs Administration,<sup>109</sup> actively participate in Fiscalis<sup>110</sup> and Customs<sup>111</sup>, respectively. Negotiations for the Civil Protection Mechanism and the Financial Instrument were completed in 2009, whereas the participation in Health<sup>112</sup> was delayed due to unknown reasons. As for the Prevention and Fight against Crime Programme,<sup>113</sup> the Government has been informed that full participation therein is possible only for EU Member States.

### 6.3. Who benefits from Community Programmes?

Community Programmes are open for an array of potential beneficiaries, depending on the subject covered by the relevant programme. Under the seven programmes where Macedonia is granted partial or full access to funds, potential beneficiaries can be: local governments, media, education institutions offering formal and informal education (institutions for all education levels, vocational education and training and adult education), research and scholar organizations (universities,

<sup>108</sup> More information on Macedonia's participation in the Fiscalis Programme is available at: [http://www.ujp.gov.mk/mk/megjunarodna\\_sorabotka/category/646](http://www.ujp.gov.mk/mk/megjunarodna_sorabotka/category/646)

<sup>109</sup> More information on Macedonia's participation in Customs 2013 is available at: <http://carina.mk/DesktopDefault.aspx?tabindex=0&tabid=47&search=customs%202013>

<sup>110</sup> More information on the programme is available at: [http://ec.europa.eu/taxation\\_customs/taxation/tax\\_cooperation/fiscalis\\_programme/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/tax_cooperation/fiscalis_programme/index_en.htm)

<sup>111</sup> More information on the Programme is available at: [http://ec.europa.eu/taxation\\_customs/customs/cooperation\\_programmes/customs2013/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/cooperation_programmes/customs2013/index_en.htm)

<sup>112</sup> The Executive Agency for Health and Consumers (EAHC) is competent for the Health Programme. More information on the Programme is available at: <http://ec.europa.eu/eahc/health/index.html>

<sup>113</sup> More information on the Programme is available at: [http://ec.europa.eu/home-affairs/funding/isec/funding\\_isec\\_en.htm](http://ec.europa.eu/home-affairs/funding/isec/funding_isec_en.htm)

institutes and like), chambers of commerce and different trade and industry associations, organisations of employers, trade unions, NGOs, business sector (especially small and medium enterprises - SMEs), professional associations, youth, students and their organisations, civil society organisations and citizens organized in informal groups.

Projects eligible for application by variety of beneficiaries include broad scope of activities: from meetings of citizens from twinned cities or youth activities realized by means of seminars, conferences, training, workshops, debates, round tables, panel discussions, various public events, studies, analyses and researches on common problems; internships, study visits, summer schools and in-service training; exchange of good practices and experiences, work methods and techniques, designing joint work and study programs, networking, associations, or development of joint projects.

Almost all societal spheres and project ideas are eligible for funding under any of the Community Programmes. The overall aim of these programmes is to stimulate cooperation between all social groups, to give them opportunity to learn from each other, get to know each other better, take active role in addressing common problems and finding relevant solutions thereto. In essence, by taking part in these programmes, citizens of the EU actively contribute to designing EU's common policies and thereby give them certain legitimacy. On this account, a decisive factor for funding and implementation of projects is the so-called 'European Added Value' that can be achieved only through networking and partnerships with organizations from other participating countries that work in the same field.

How does Macedonia fare in terms of participation in Community Programmes? Only source of information on Macedonia's participation in Community Programmes are the bodies responsible for their

implementation (European Commission and Government). Data available on this issue are focused on providing justification as to the benefits related to Western Balkans' participation in Community Programmes, as well as whether funds paid as entry tickets by the countries had been absorbed by in-country beneficiaries. To date there is no survey undertaken that enquires into the effects produced by Community Programmes with the beneficiaries. Variable is also the commitment of national institutions to promote Community Programmes, as well as the level of interest and motive for participation therein. Some are less, while others more successful, in disseminating information on individual programmes<sup>114</sup>.

EC and the Government failed to undertake any research targeting stakeholders and aimed to define effects of Macedonia's participation in these instruments of the EU. Due to lack of information, unknown remains the contribution of Macedonia's participation in Community Programmes towards the "Europeization" of our society. Therefore, MCET carried out a study targeting Macedonia's participation in five Community Programmes: FP7, PROGRESS, CIP, Culture and Europe for Citizens<sup>115</sup>.

#### 6.4. What does the research reveal?

Majority of organizations surveyed are active in *education and culture* as primary fields of operation, followed by those working on *research, service provision and science*. As regards the type of organization,

<sup>114</sup> Some line ministries have not designed special websites dedicated to programmes that fall under their competences. Translation of some programmes was delayed (Europe for Citizens). Visibility of some programmes is inappropriate due to the lack of promotion materials and failure to organize info-days (PROGRESS).

<sup>115</sup> The policy study is available at: [www.mcet.org.mk](http://www.mcet.org.mk)

*dominant were civil society organizations, local self-government units, whereas business sector and central government were less represented. This conclusion does not surprise given that civil society organizations hold the greatest experience and knowledge on possibilities offered by different funds. This is due to the fact that in Macedonia, civil society operates exclusively on the basis of project grants because of the lack of national institutional support, which is contrary to practices pursued by EU Member States.*

As for beneficiaries' financial capacity, 61% of those who answered the questionnaire dispose with budgets in the amount of up to 500,000 EUR. Poor financial ability prevents participation in larger financial projects and is not considered good recommendation when approving co-funding. Hence, Macedonian organizations rarely appear as project holders, and most often they act as project partners. An average beneficiary does not employ personnel that deals exclusively with preparation and implementation of European projects. Few are the organizations that have established project teams, and even fewer are those that contract outsourcing associates. Frequently, project teams are established on *ad hoc* basis, while project applications and other activities from the project cycle are performed by the applicants themselves.

All organizations surveyed indicated that participation in Community Programmes is not their first experience with implementing EU-funded projects. In 41% of these projects, in-country organizations acted as project holders, while in 59% of them they were partner organizations. Most projects (53%) are transnational (where Macedonian organizations appear mainly as partners), while smaller portion thereof (21%) are of regional character, and only 25% are national. Number of transnational and regional projects where in-country organizations appear as project holders is increasing. This

provides the conclusion that in-country organizations hold relevant project management capacity to cooperate with several partners (usually a matter of smaller scope projects with modest budgets). As for project duration, 30% of projects lasted for one year, more than half of them (55%) were implemented in a period from 1 to 3 years, and the smallest portion thereof (15%) were implemented in a period from 3 to 5 years.

According to applicants' self-perception, capacity of their employees is on high level. Namely, 39% of them believe that their employees are fully able to prepare and implement projects, while 46% believe that their employees need additional training. Majority of those who expressed the need to strengthen expert capacity identified them in thorough knowledge on project cycle management (37%) and project experience (43%). Significant is also the share of interviewees (20%) who in addition to believing that their employees are competent indicated the need for additional training and education.

As many as 96% of organizations stated that they are fully or partially acquainted with the domestic legal framework and policies in the field of their operation. Only 35% of interviewees claimed that are fully acquainted with corresponding EU *acquis* and policies, while 55% of them stated that they have partial knowledge thereof. According to 22% of interviewees, domestic legislation is fully aligned with EU *acquis*, whereas the dominant perception with 70% of them is that there is only partial alignment.

As for the effect of the domestic legislation's non-alignment with the EU *acquis*, high share (93%) of interviewees believe that it does affect the utilization of EU funds, while 56% of interviewees believe that non-alignment poses a major obstacle thereto. The issue of non-alignment concerns all policies. Non-alignment is identified on several levels: from strategies and developmental policies, to financial regulations.



Almost half of interviewees (49%) identified high competition for limited funds as an insurmountable barrier, while 41% identified the high percentage set for own contribution. Strong barriers that the organizations find easier to overcome are complex and time-consuming project application procedures, monitoring, evaluation and reporting procedures, as well as lack of appropriate project partners. The fact that applications are in English language was indicted as a barrier by majority of interviewees (82%), although they believe it can be easily addressed. The issue of project ownership was indicated by almost 90% of interviewees who stated that this barrier can be overcome. Surmountable barriers identified by interviewees (68%) also include non-transparent evaluation of project applications.

More than half of interviewees identified greater availability of co-financing sources, clearly defined national developmental goals, policies and strategies and more active support on the part of institutions as most important macro-factors that affect absorption of funds. Better absorption rate necessitates good information on project possibilities funded by EU, accelerated integration process and development of public-private partnerships. Significant part of interviewees does not perceive increased economic development as decisive factor that guarantees greater participation in EU projects.

Most interviewees indicated that interest in benefiting from EU funds is a joint investment both for the Government and for their institution. This opinion is equally shared with respect to all sectors (public, private and national sector). Interviewees believe that joint efforts are needed with a view to train employees, i.e., as many as 58% of interviewees believe that capacity building is a joint responsibility of the Government, their organization and other partners. Only 18 % of interviewees allocate this responsibility with the institution, while 21% believe that this is an individual obligation of the employee.

Most interviewees (80%) recognized public institutions as possible co-financing partners, where 27% of them consider them to be the most important partner, 24% of them stated that they are relatively important source of co-financing and 29% indicated them as least important external source of co-financing. Interviewees also indicated related organizations (27%) and public funds (22%) as important co-financing sources. It should be noted that the business sectors, especially the banks and other financial institutions were not perceived as reliable source of co-financing. Obvious is that organizations' expectations related to co-financing are focused only on the state.

According to most interviewees, problems related to funds' utilization can be addressed by greater focus on training and education (organizing topical seminars and workshops and like). Another activity that might facilitate this process is the establishment of earmarked funds to co-finance projects supported by the EU, i.e., to enable access to favourable loans from commercial banks and financing institutions. Most interviewees indicated the need for simplified rules on financial management and project application, as well as in regard to project monitoring and evaluation. Finally, 37% of interviewees believe that promotion activities for Community Programmes can be of great assistance.

For almost half (49%) of interviewees, the greatest advantage is project funding that would not have been made available under national funds, i.e. funding for innovative initiatives that would not have existed without such support (45%). Learning from partner organization from other countries is an advantage recognized by 45 % of interviewees, while one third of interviewees identified the development of new partnership as important benefit therefrom. According to the interviewees, less important benefits include the feeling of belonging to



Europe (35%) and stable strategic framework (33%). Financial benefits are very important only for 29% of interviewees.

### 6.5. Macedonia and Culture Programme

The Memorandum of Understanding for Culture Programme 2007-2013 signed between the European Community and the Republic of Macedonia entered into effect on 1 January 2008. Amount of the entry ticket for the Republic of Macedonia was 32,000 EUR per year. In the first year, 90% of these funds were secured from IPA funds, and every year therefrom the national contribution was increased by 10%. Hence, the total amount paid as entry tickets in the period 2008-2013 accounts for 192,000 EUR in total, of which 124,000 EUR were secured through IPA funds, whereby the national contribution was reduced to 68,000 EUR for the entire period.

Culture Programme's beneficiaries are smaller organization with modest budgets compared against those of Community Programmes' average beneficiary. The reason for this was identified in the fact that 80% of interviewees come from civil society or business sector (publishing houses). Beneficiaries participated only in projects supported under the first subprogramme. From the start of Macedonia's participation in Culture until July 2011, 35 project applications were approved from the total number of 73 applications submitted<sup>116</sup>. Projects were approved for a total of 26 organizations, where 6 organizations were approved more than one application and one organization was approved as many as 4 project applications. Amount of EU funds disbursed for all 35 projects

<sup>116</sup> Information obtained from EACEA's database and the contact point for the Culture Programme. Data on the number of project applications submitted is incomplete because EACEA does not keep comprehensive statistics on the number of unsuccessful applicants.

was 5.179 million EUR<sup>117</sup>. Greatest interest and success of Macedonian organizations was observed under the component on translation, while the lowest rate was observed in regard to multiannual cooperation projects, which are deemed the most difficult ones<sup>118</sup>.

### 6.6. Macedonia and Europe for Citizens Programme

The Memorandum of Understanding for Europe for Citizens Programme signed between the European Commission and the Republic of Macedonia entered into effect in March 2009. Entry ticket for this programme amounts to 15,000 EUR per year, i.e., 60,000 EUR for the entire period (2010-2013). IPA annual co-financing for the programme's implementation amounts to 38,350 EUR for the entire period, which leaves the national contribution in the amount of 21,650 EUR.

From the participation's onset until July 2011, a total of 27 projects were approved under this programme with EU funding in the amount of 2,049,872 EUR<sup>119</sup>. In that, noticeable is the significant increase in approved, as well as submitted, project applications (2009 – 1; 2010 – 6; 2011 – 21). Half of programme beneficiaries are municipalities, whereas other beneficiaries are civil society organizations. Half of interviewees dispose with an annual budget that exceeds 500,000 EUR (higher than the average calculated for all beneficiaries), and therefore they do not have problems in securing co-financing needed. Two thirds of project

<sup>117</sup> Funds are disbursed to all partner-organizations in the cooperation projects. Precise data on the amount disbursed to Macedonian organizations cannot be obtained.

<sup>118</sup> In comparison, success rate for 2011 under strand 1.1 was 25%.

<sup>119</sup> Information was obtained from the relevant contract point and EACEA's database. Similar data is provided in NPAA 2012, as follows: "in conclusion with the September call in 2011, applicants or partner-organizations participate in 24 projects for different actions and measures under the programme, with a total budget of 1,509,282.73 EUR".

approved are funded under Action 1 (Active Citizens for Europe), 29% of them are funded under Action 2 - Measure 3 (Active civil society in Europe), whereas only one organization benefits from funds available under Action 4 (Active European Remembrance). There were no projects approved under Action 3 (Together for Europe).

### 6.7. Macedonia and Progress Programme

Republic of Macedonia fully participates in PROGRESS from 2011 onwards. Namely, in 2007 and 2008 Macedonia was eligible only for limited participation<sup>120</sup>, in 2009 and 210 for partial participation, and full participation is granted for the period 2011–2013<sup>121</sup>. This resulted in various amounts paid as annual entry tickets (2007 – 60,000 EUR, 2008 – 100,000 EUR, 2009 and 2010 – 160,000 EUR and 2011-2013 - 300,000 EUR per year). IPA co-financing<sup>122</sup> of entry tickets in the period 2007 - 2010 amounted to 402,200 EUR, whereas national contribution amounted to 77,800 EUR.

From the programme's onset to date, Macedonia participated in four projects. The project team distributed the questionnaires and interviewed three organizations whose project applications were approved, while the fourth organization no longer exists. Information on the number of organizations, as leading applicants or partners, whose project applications have been rejected, is missing. EU funding provided for three of the four projects amounts to 450,289 EUR. In

<sup>120</sup> Participation in analytical activities (1,2,3); joint learning, awareness raising and information campaign (2,3,4,5); support for main participants (1,5,6)

<sup>121</sup> Participation in additional types of activities (4,5); joint learning, awareness raising and information campaigns (1).

<sup>122</sup> [http://eeas.europa.eu/delegations/the\\_former\\_yugoslav\\_republic\\_of\\_macedonia/documents/projects/contract\\_list\\_en.pdf](http://eeas.europa.eu/delegations/the_former_yugoslav_republic_of_macedonia/documents/projects/contract_list_en.pdf)

that, PROGRESS is the only programme for which Macedonia pays more than it can absorb. The fact that Macedonia has 10 contact points<sup>123</sup> and 2 national coordinators<sup>124</sup> for PROGRESS and we were unable to contact any of them, speaks negatively of the competent institution's attitude (Ministry of Labour and Social Policy) towards the programme. All projects were approved in 2008 and 2009. From that period to date, the programme's visibility has diminished<sup>125</sup>, as is the interest for participation.

### 6.8. Macedonia and Seventh Framework Programme

The Memorandum of Understanding for FP7 was signed between the European Community and the Republic of Macedonia in June 2007<sup>126</sup>. Total amount of Macedonia's contribution in the entry ticket for the period 2007-2013 accounts for 7,362,000 EUR. For the first two years of participation, relevant entry tickets were fully covered from IPA funds, whereas from 2009 onwards IPA funds cover 69% of the entry ticket paid for the previous year. In summary, 4,281,000 EUR or 58% of the total amount for all entry tickets will be paid from IPA funds.

<sup>123</sup> <http://mtsp.gov.mk/?ItemID=08F3597CB53B5641808DE6EF3255BF16>

<sup>124</sup> <http://ec.europa.eu/social/main.jsp?catId=984&langId=en>

<sup>125</sup> Internet browsing of international and domestic websites did not result in information on events organized for the programme's promotion, promotion materials or brochures. 2012 National Programme for the Adoption of the EU Acquis does not refer to the PROGRESS Programme.

<sup>126</sup> Macedonia takes active participation in the following FP7 subprogrammes: cooperation; ideas, people, capacity, direct actions by the Joint Research Centre.

In the period 2007-2011, at least one organization from Macedonia participated in the total of 347 project proposals. A total of 48 projects were approved for funding and they included 60 in-country organizations<sup>127</sup>. Given the fact that some organizations participate in several projects, the actual number of participating organizations is 36. Majority of them are universities and other research institutions, whereas the business sector's participation is represented by 8 companies (6 public and 2 private).

First impression about FP7 is that by means of projects approved Macedonia succeeded in utilizing more funds than the amount paid as entry ticket. Competition between applicants is particularly strong, while the average success rate is relatively moderate. In terms of specific programmes, the average success rate in the first two years of implementation is the following: 1. cooperation - 18%, 2. capacity - 18%, 3. people - 29%; 4. ideas - 4%<sup>128</sup>. On the other hand, the success rate of Macedonian projects in the period 2007-2010 was: 1. - 17%; 2. - 26%; 3. - 28% and 4. - 0%. Overall success rate of Macedonian applications is almost 15%. This provides for a significant success and is above the average of Western Balkan participating countries or close to the average success rate of Croatia (15.75%) and Albania (15.38%), and higher than the average success rate of Serbia (12.99%).

Country's participation in FP7 is different when reconsidered in terms of specific programmes and applicants. Majority of projects approved were submitted by a narrow scope of beneficiaries and usually concern participation in subprogrammes "cooperation" and "capacity".

Participation in the programme "people", in particular the Marie Curie actions for mobility of researchers and scientists, is insignificant. Finally, there were no successful projects approved under the programme "ideas" that finances frontier research.

## 6.9. Macedonia and Competitiveness and Innovation Programme

From the three components of the Competitiveness and Innovation Programme,<sup>129</sup> in December 2007 the Memorandum of Understanding was signed only for the Entrepreneurship and Innovation Programme. Entry ticket for this subprogramme is set annually and pursuant to a complicated formula that takes into account the economy growth (GDP rate) and other macroeconomic indicators. According to the Memorandum, relevant amounts for 2007 and 2008 entry tickets were set at 73,192 EUR and 85,904 EUR, respectively. However, according to data disclosed by the Ministry of Economy, Macedonia paid entry ticket in the amount of 98,005 EUR for the year 2009 and 113,181 EUR for the year 2010. In 2011, entry ticket's value was 148,991 EUR. In the period 2009-2011, EU refunded a total of 232,297 EUR, which accounts for 64% of total funds paid as entry tickets in the given period of three years. Relevant Memoranda of Understanding for Macedonia's accession in other two CIP subprogrammes have been agreed with the European Commission. According to NPAA 2012,<sup>130</sup> final activities for Macedonia's accession in CIP's second and third component (ICT Policy

<sup>127</sup> Most recent information obtained from the National Programme Coordinator indicates 6 more approved projects. As regards to funds, to date, more than 8,5 million EUR are used from FP7's budget, compared to 3,854 million EUR paid as entry tickets.

<sup>128</sup> More information is available at: [www.europamedia.org](http://www.europamedia.org)

<sup>129</sup> CIP comprises the following subprogrammes or components: Component I: (CIP - EIP) Entrepreneurship and Innovation Program; Component II: (CIP - ICT PSP) ICT Policy Support Programme and Component III (CIP - IEE) Intelligent Energy Europe Programme.

<sup>130</sup> Pg. 290

Support and Intelligent Energy Europe) are underway (January 2012). Given past practices (delays in signing), unclear is the final deadline when this programme will be fully open for participants from Macedonia.

In the period from 2007 until July 2011, a total of seven projects from Macedonia were approved, one of which is supported by the European Information and Innovation Centre in Macedonia (EIICM), which is the Macedonian member in the European Enterprise Network. Ministry of Economy and the State Statistical Office were approved one project each, while remaining four projects concern participation of the Foundation in Management and Industry Research, also a member of EIICM. No SMEs from Macedonia participate in CIP-funded projects. Total value of projects accounts for 3,123,396 EUR. According to DG for Enterprises and Industry, grants approved for Macedonian implementing parties under EIP Component I 2007-2010 account for 529,822 EUR. Macedonia is most successful in regard to securing support for companies, notably by means of business and networking services. However, Macedonia failed to achieve any results in regard to other actions eligible for EIP support (promotion of eco-innovations and facilitating access to capital by means of financial instruments). From 2008<sup>131</sup> to 2011,<sup>132</sup> no project applications on eco-innovation have been submitted. In comparison, only in their first year of EIP participation (2009), Serbia and Albania participated with 14, i.e., 3 representatives in applications submitted<sup>133</sup>.

<sup>131</sup> Macedonia participated with one representative in application on the 2008 call.

<sup>132</sup> The 2011 call included 5 participants from Macedonia, but due to the fact that evaluation procedure is still on-going, no information on applicants' status or value of projects is available. More information is available at: [http://ec.europa.eu/environment/eco-innovation/files/docs/call11/first\\_overview\\_on\\_the\\_call\\_2011\\_cip\\_eco\\_i\\_final\\_en.pdf](http://ec.europa.eu/environment/eco-innovation/files/docs/call11/first_overview_on_the_call_2011_cip_eco_i_final_en.pdf)

<sup>133</sup> Information is obtained from the summaries of projects proposed and approved in the years 2008, 2009, and 2010. Source: European Commission, available at: [http://ec.europa.eu/environment/eco-innovation/in-action/index\\_en.htm](http://ec.europa.eu/environment/eco-innovation/in-action/index_en.htm)

Unsuccessful is also the third action under Component I related to financial instruments that facilitate access to cheaper capital for SMEs. Institutions competent for implementation of financial instruments are the European Investment Bank and the European Investment Fund (together, EIB group). These institutions enter arrangements with Macedonian banks and other financial institutions, whereby the latter act as financial intermediaries that disburse funding in Macedonia. To present, no commercial bank based in Macedonia (or any other non-banking institution) has expressed interest in entering an arrangement of this type with EIB. The only institution that can act as financial intermediary is the Macedonian Bank for Development Promotion (MBDP). Notably, two years ago this bank initiated the procedure for contract signing with EIB. This contract is not signed yet and there is no information as to when and whether this will happen.

## 6.10. Conclusions and recommendations

Republic of Macedonia's participation in Community Programmes is assessed as successful, although it varies in terms of individual programmes. Success rate under individual programmes depends on its complexity, applicants' experience, networking skills and motivation, efforts made by responsible contact points and support from competent institutions. In practice, greatest success is noted among organizations with defined strategy of operation, where the common denominator of successful applicants is their experience with support from other funds, as well as participation in regional and European networks.

Exception to this rule was noted in regard to PROGRESS, where after the initial approval of several projects at the programme's onset, interest for participation in and success rate seem to be non-existent. To use euphemism, Macedonia's non-participation therein is surprising, in particular given the high poverty rate, increasing social exclusion of large groups of citizens and roof-high unemployment in the country. Actually, Chapter 19 (Employment and Social Policy) is one of the most criticized areas in all Progress Reports for the Republic of Macedonia issued by the European Commission. The fact that Macedonia demonstrates poor results in terms of benefiting from funds made available under IPA Component IV: Human Recourse Development, whose purpose is to finance projects in the fields of education, training, employment and social inclusion (MCET 2012),<sup>134</sup> provides evidence in support of this conclusion.

Due to their limited (financial) capacities, Macedonian organizations participate in projects of smaller scope and value. Most often, they act as project partners, whereas most successful are the organizations with previous experience in implementing EU-funded projects and those who participate in regional and transnational networks. As regards the type of organizations, most numerous are civil society organization, followed by universities and local authorities. The business sector is the least represented one in terms of participation in Community Programmes.

Most organizations have not established project teams tasked to implement project cycle activities starting from analysing and researching project possibilities and partners and ending with development of final reports. Common is the practice where project applicants are those that

perform all activities (from raising initiatives to their implementation) and only later establish a separate project team for that purpose. This might be a serious obstacle in cases of large projects, as key people in the organization might lose their motivation and organizations might lack human resources for project implementation.

In general, organizations have positive self-perception as regards their own human capacity to develop and implement projects. Organizations that lack capacities identify the reasons therefore in the lack of experience and knowledge related to project cycle management. As regards capacity-building, dominant is the opinion that capacity building is a joint investment, interest and obligation of all actors (potential beneficiaries, their employees and the central government).

In the opinion of surveyed organizations, financial benefits were not the most important, which indicates a high level of understanding that EU projects bring forth other advantages that are far more important than finances. Namely, greatest benefits from participation in Community Programme were identified in funding innovative initiatives that would not have existed without their support, learning from partner organization from other countries and developing new partnerships. Less important benefits include the feeling of belonging to Europe and stable strategic framework

The fact that interviewees see all Community Programmes as a possibility to implement ideas and initiatives that would not have existed without EU support is indicative of the following: 1) absence of strategic approach in utilization of Community Programmes as an instrument for society's Europeization; and 2) lack of interest to accelerate Macedonia's integration in the EU. These conclusions were reiterated by the fact that according to majority of interviewees precisely defined national developmental goals, strategies and policies are *condition sine qua non* for utilization of EU funds.

<sup>134</sup> For detailed analysis of the situation under this Chapter, state's commitments assumed under the Accession Partnership and comparative analysis of progress made, see our report: Comparative Analysis of EC's Progress EC Reports 2008-2011: Red Alert, pg. 76-79, available at: [http://mcet.org.mk/?page\\_id=120](http://mcet.org.mk/?page_id=120)

The state has been identified as the main source of co-financing for EU projects. Other “players”, primarily banks and non-banking financial institutions, are not perceived as possible partners in securing own financial contribution for projects. In part, this is due to the absence of specific bank products and services, which is contrary to the situation noted in other countries.<sup>135</sup>

Absence of strategies was the common denominator for all areas of operation covered by the programmes analysed as part of this study. Although not exclusive, this is particularly the case with CIP and FP7, which are aimed to strengthen the competitiveness of the European (i.e., Macedonian) economy, notably by promoting innovation, research and development and by supporting the business sector. Macedonia has not adopted relevant strategies in areas covered by these two programmes and lacks proactive complementary policies. Moreover, business sector’s participation in Community Programmes is alarmingly low.

Absent is also a serious financial framework to support holders of project ideas. This is why a significant share of organizations faces problems in securing funds needed for project co-financing. Programme beneficiaries believe that the absorption rate can be increased by enabling greater access to external co-funding sources. In that, large portion of expectations are directed towards the state (public institutions and funds). The business sector has a low rank on the scale of possible partners.

Better results and greater participation in programmes are attained in cases where responsible contact points are employed full-time and dispose with appropriate budgets for programme promotion. Greater

institutional (political, technical, staff) support triggers greater motivation on the part of people responsible for programme promotion. Some contact persons also participate in working groups and committees on EU level, which provide good platform for lobbying, networking and experience sharing. All these are preconditions for greater influence in defining priorities under individual programmes. Problems were identified in regard to securing sufficient financial means to fully cover costs for participation in these events.

On the account of above-indicated problems, the following recommendations must be implemented:

1. Community Programmes are designed as instruments that support national policies of Member States with the aim to contribute to attainment of objectives defined under Europe 2020. Therefore, the Government, with the participation of experts, must urgently adopt the National Development Strategy 2020 that would complement Europe 2020, as was already done by the Republic of Serbia<sup>136</sup>. National development policies (research and development, innovation, industry policy and SMEs policy, energy and transport policy, social and employment policy) should be developed in compliance with the National Development Strategy and Europe 2020. Moreover, these policies should be complemented with specific instruments that would facilitate attainment of expected results;
2. Government must establish earmarked funds intended to finance trainings, seminars and workshops, and provide co-financing for EU projects. Introduction of national grant-awarding schemes for mobility intended as support for (smaller) organizations in developing

<sup>135</sup> Common practice in all acceding countries is for the financial institutions to provide loans and credits for advance financing and co-financing of projects, as well as to offer comprehensive consulting services, including project development, issuing guarantees, etc.

<sup>136</sup> Serbia 2020, The Concept of Serbian development by the year 2020, Source: <http://www.predsednik.rs/mwc/pic/doc/SRBIJA%202020%20FINAL%2018122010.pdf>

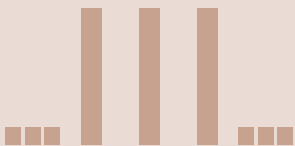
project proposals that imply partnerships will significantly increase participation in Community Programmes;

3. Line ministries should allocate sufficient funds to support the work of national contact points and bodies. This will enable organization of promotion activities and other public events, and will disseminate positive results from projects implemented. In addition, the Government and line ministries must allocate funds for activities aimed to promote, lobby, and advocate for the interests of Macedonian beneficiaries, as well as to support their participation in working meetings, conferences and other public events held in Brussels and Member States;
4. SEA and line ministries, together with the contract points, should develop the database on projects approved and implemented with support from Community Programmes and make these information available on a specially-designed website that will be regularly updated, following the example of the European Commission's EVE Platform<sup>137</sup>;
5. SEA and line ministries to undertake detailed analysis of the European Commission's new Multiannual Financial Framework for the period 2014-2020 and develop appropriate positions. Also, detailed analysis should be made of EC's proposals for Community Programmes in the period 2014-2020;
6. Community Programmes must be integrated in the relevant national policies and corresponding instruments to attain developmental goals defined therein. Macedonia must consider its participation in these funds as a preparation for EU membership and exercise for

utilizing the "big money" from Structural and Cohesion Funds, which will be made available once Macedonia becomes an EU Member State;

7. Fund should be established for the purpose of co-financing EU projects, following the example from Croatia, where a previously defined share of lottery profits is allocated to sustain this fund.

<sup>137</sup> More information is available at: [http://ec.europa.eu/dgs/education\\_culture/eve/](http://ec.europa.eu/dgs/education_culture/eve/)



## CONCLUSIONS AND RECOMMENDATIONS

The present analysis shows that Republic of Macedonia faces numerous problems in utilizing funds committed under all five components of the Instrument for Pre-Accession Assistance (IPA). In order to better monitor scope and type of problems, as well as to make better and attainable recommendations for the Government, here we divide problems identified into four major groups, those being: 1) lack of institutional capacity; 2) lack of administrative capacity; 3) failure to use adequate mix of instruments made available; and 4) absent political will, not only in terms of funds' absorption, but also in terms of reform implementation. This section elaborates the four groups of problems, as they appear under all IPA Components.



## 1. INSTITUTIONS... WHO NEEDS THEM?

Proof about the first group of problems - lack of institutional capacity - is the fact that almost half of funds programmed under IPA Component I for the year 2007 are being implemented at this moment. Relevant contracts were signed by the end of 2010, which means that Macedonia managed to withdraw these funds in the last minute and thereby prevent their “de-commitment”. Hence, projects funded under IPA 2007 are implemented nowadays (for e.g., the project that supports the Public Revenue Office of the Republic of Macedonia, in the value of 1.3 million EUR, the contract for which was signed as late as 31 March 2010 with the consulting company *AARC (MANAGEMENT CONSULTANTS LTD)*).

Contracts for half of projects anticipated under National IPA Component I for the year 2008 were also signed by the end of 2011. This means that they will be implemented in 2012, but also in 2013, as most projects last for a period of one or two years (for example, the capacitybuilding project for public procurements, in the value of around 1 million EUR, the contract for which was signed on 21 February 2011 with the consulting company *B.&S.U. BERATUNGS- UND SERVICE* as the implementing party, and technical assistance project for the General Secretariat of the Government, intended to support development of new Strategy for Cooperation with the Non-Governmental Organizations, implemented by the consulting company *GOPA*, in the value of around 480,000 EUR, the contract for which was signed as late as 8 February 2011).

Moreover, ONLY 1.8% of funds committed under 2009 IPA Component I and ONLY 1.5% of funds committed under 2010 IPA Component I have been absorbed to present. In both cases, operating costs of EU

Info Centre - in the amount of around 320,000 EUR - were paid to the contractor *IMIKA* from Skopje. Truth be told, 2009 funds are marked by slightly higher absorption rate, but this is due to costs incurred for contract termination for TETRA phase 1, signed by the Customs Administration.

Situation related to implementation of other IPA Components is identical. Most probably, the worst situation noted concerns IPA Component II: Cross-Border Cooperation, considering that portion of funds committed for previous years have already been lost.

## 2. (IN)COMPETENT INSTITUTIONS

Second group of problems is related to lack of administrative capacity. This group is marked by four “bottlenecks”. First bottleneck was identified in the failure to distinguish between “*programming*” and “*project writing*”. Very often, governmental representatives declare that the reason for non-utilization of IPA funds lies in the fact that the Government has not been presented with solid and sustained project-proposals submitted by potential beneficiaries. This provides two conclusions to be inferred: a) the Government does not understand what programming means and that stakeholders cannot submit project-proposals out of the blue, notably because projects should be part and parcel of a programme or strategic framework; and b) the Government does not assume responsibility for “poor capacities”, as demonstrated by potential beneficiaries, which raises the question on *who should develop their capacities?*

Furthermore, a detailed analysis shows that Macedonia demonstrates frequent use of the Project Preparation Facility. In average, countries from the region use around 3% of annual funds, but the relevant rate

of utilization in Macedonia is 5% to 15%. Analysis of purposes for which PPF is used in Macedonia raises additional concerns. Without an exception, PPF is used for development of Terms of Reference (ToR), which - in fact - is a document presented to first group of short-listed consultants that provides them with guidelines for preparation of their bids. In other words, this document is the project's "heart and soul". However, absurd is for the relevant institutions to be ignorant of projects' expected results. Unfortunately, on the basis of PPF's frequent use in Macedonia, the conclusion is inferred that civil servants are insufficiently competent in developing simple documents, such as ToR.

Analysis of IPA's overall implementation in Macedonia provides the conclusion that some sectors have not been supported at all. An example thereof is Chapter 19 (Employment and Social Policy). The Government, and even EC, would probably respond to this conclusion by claiming that this sector is covered by IPA Component IV, which *inter alia* addresses employment issues. Nevertheless, the question raised here is whether Component IV funds are sufficient and whether a country affected by record-high unemployment can afford to neglect employment as sector for institutional capacitybuilding.

Next issue is related to continuous staff changes at key institutions that administer IPA funds, especially changes that are result of public administration's politicization. In the recent years, membership in ruling political parties is the only guarantee for employment in public administration. Political party members who managed to enter public administration bodies benefit from EU-supported training. The moment these civil servants start demonstrating certain ability, their political party suddenly realizes that they could contribute to "greater achievements" and are transferred from institutions important for Macedonia's EU Agenda to institutions important for the political party

in power. For example, they are appointed to public offices such as directors of public enterprises, in particular those that are important at the time of election campaigns. Such practices additionally weaken public institutions without making due consideration of damages caused.

In the Republic of Macedonia, politicization of the public administration has always been a problem, but in the last years this phenomenon has gone beyond any control. Until recently, administration's division along political party lines was a public secret, but nowadays it has been turned into an instrument that guarantees governing powers for ruling political parties.

### 3. KNOW HOW... OR DON'T KNOW HOW?

Third group of problems concerns knowledge and ability to design appropriate solutions to problems and deliver results. As is the case with any public policy, IPA spending must also make due consideration of an adequate mix of instruments that should not and cannot be reduced ONLY to legislating. Evident is that the Government does not use the instrument mix available, which is mostly due to absence of strategic approach not only towards IPA programming, but project implementation as well. The Government refuses to understand that funds from IPA Component I can be used for capacitybuilding of public administration bodies, but also for the benefit of other target groups. This issue is in the centre of public debates. The Government claims that IPA Component I can only be used by central government bodies, which is not completely true. If schools, trade unions, Roma organizations, municipalities, farmers, small and medium-sized enterprises, etc., are eligible beneficiaries of funds programmed under IPA Components II,

III, IV and V, why they cannot benefit from Component I in order to build their capacities and later absorb funds from other IPA Components? Apparently, this is not the practice.

In Macedonia, IPA funds are almost always used for technical assistance. In practice, this means that IPA is used as if it were CARDS. For example, grant-awarding schemes were organized on only two occasions. First grant scheme was organized under 2008 IPA Component I and targeted civil society organizations. Projects funded and implemented as part of this scheme are among the most successful IPA projects in the country. Second grant-awarding scheme was managed by the Government and is the first grant scheme implemented under the decentralized management system of EU financial assistance committed for IPA Component IV. State-of-affairs noted in regard to this grant scheme is another story altogether. Call for proposals was announced in June 2010 and concerned ethnic women's integration in the labour market. Financial assistance allocated for this scheme amounts to 1.6 million EUR. Project contracts are not signed. It took almost two years to contract around 1.6 million EUR. The question is raised on what will happen to other funds, knowing that it took the Government two years to award such small portion of funds?

Third problem is related to improper use of twining. Notably, it seems that in order to prevent loss of funds, the European Commission grants the Macedonian Government favours by accepting projects whose programming is infeasible. An example thereof can be found in the twining project programmed under IPA Component IV and targeting the Centre for Adult Education, in the value of 1.7 million EUR. On the other hand, the Centre's annual budget amounts to only 220,000 EUR. In essence, this means that the Centre is given eight times more funds for implementation of twining project compared to its expenditure ability.

Unfortunately, from the start of activities this project is destitute for disastrous outcome. Even if project activities are implemented pursuant to contract provisions, fact is that the twining partner will have to assume most of the workload, due to the fact that Centre's insufficient staff would not have time to engage in project activities, even if they wished to.

According to IPA Implementing Rules, financial assistance can also be extended in the form of budgetary support. As early as 2007, MCET proposed relevant authorities to use budgetary support in regard to fiscal decentralization and for the purpose of unburdening municipalities of accumulated debts. Unfortunately, the Government did not want to apply for budgetary support because disbursement of financial assistance in this form necessitated the country to have entered an arrangement with the International Monetary Fund (IMF). Nowadays, it seems that the Government attempts to obtain budgetary support from IPA. Given previous experiences with IMF budgetary support's expenditure during 2011 Parliamentary Elections and misuse of public administration, extension of budgetary support at this moment does not seem to be a good idea, especially in the wake of Local Elections, which should be organized next year. Government's track record also includes malpractices with EU funds (IPA), by the National Agency for European Educational Programmes and Mobility. On this account, provision of budgetary support at this moment would cast shadows on the outcome of forthcoming Local Elections in the country.

## 4. EU DESTINATION OR DETOUR?

Fourth group of problems concerns absence of political will for Macedonia's successful integration in the EU, as noted in the behaviour of the Government. Evidence in support thereof are abounding, however, this analysis focuses on several inconsistencies identified. With the exception of IPA Component II for Cross-Border Cooperation, Operational Programmes for other IPA Components are not translated into Macedonian, let alone into Albanian language. This becomes more concerning given that the Government spends enormous budget funds for translation of books. Does this mean that IPA-related documents hold no importance for the Government and that translation thereof is not considered necessary, although they indicate projects eligible for IPA funding in the period 2007-2013?

Another major problem concerns coordination of donors. As indicated above, the present analysis raised concerns about the amount of 13.2 million USD that the Government awarded to UNDP for implementation of active employment measures. How is this consistent with IPA Component IV, in particular knowing that the Employment Agency is the backbone for activities under this component? Unclear is why funds are allocated from the central budget and aimed to support UNDP's implementation of activities that should have been performed by the Employment Agency in the first place?

Macedonia has no National Development Plan. Despite the fact that EC's Multiannual Indicative Planning Document 2012-2013 refers to some kind of National Development Plan of the Republic of Macedonia, as well as revision to the Operational Programme for Human Resources Development 2007-2013, fact is that, in reality, these documents do not exist. Macedonia does not have National Development Plan for some

years now. This shows that in the absence of strategic documents, civil servants in Macedonia tasked with EU assistance programming have been assigned to mission impossible.

Finally, absence of political will to bring the country closer to EU is also seen in the personality and work of Macedonia's General IPA Auditor. Persistence in keeping Mr. Bahcovanovski in this office, despite EC's warnings, shows the Government's disrespect for the fact that such actions might endanger the country's accreditation for decentralized management of EU funds and previous efforts made in that regard. Should one wonder about the reasons for EC to withdraw the accreditation, a quick look at General IPA Auditor's Facebook profile shows his fascination with the Prime Minister. Moreover, during his previous office as the Director of the Public Enterprise for Management of Residential and Business Property, Bahcovanovski purchased state bonds. He is not an economist or auditor, but a lawyer. 2011 Progress Report refers to this issue in the following manner: *"the nomination of the Audit Authority's head raised questions about the selection criteria"*,<sup>138</sup> in a manner typical for the European Commission, i.e., by using politically correct vocabulary. However, this does not mean that EC will tolerate appointment of inadequate persons to key positions related to EU funds management and unconditionally approve members of ruling political parties being entrusted with such powers.

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<sup>138</sup> EC's 2011 Progress Report for the Republic of Macedonia, pg. 53. [http://www.sep.gov.mk/content/Dokumenti/MK/PR\\_2011\\_mk.pdf](http://www.sep.gov.mk/content/Dokumenti/MK/PR_2011_mk.pdf)

## 5. RECOMMENDATIONS

Analysis of IPA's utilization in Macedonia provides the conclusion that the country risks loss of significant amounts of funds by the end of 2012. This is particularly true for assistance programmed under IPA Components IV and V, and even Component II. Financial assistance committed under IPA Component III was saved in the last minute, while IPA Component I is implemented under slow dynamics and related risk of de-commitment will be very high. Moreover, certain is that IPA Component II would be assessed as major underachievement.

Actual amounts of de-committed funds under National IPA 2009 (Components I and II) and National IPA 2010 (Components III, IV and V) will be known after 31 December 2012, which is the deadline for project contracting. At this point in time one cannot with certainty indicate amounts of funds that would remain unused, but likely is that the Deputy President of the Government responsible for European Integration, Ms. Teuta Arifi, would assume the responsibility thereof, despite the fact she did not hold this office when EU financial assistance was programmed. If Ms. Arifi would to assume any responsibility, it should be related to programming and utilization of IPA 2012 and 2013. To clarify matters, it should be noted that Operational Programme 2012-2013 is still not adopted.

For the purpose of "saving" most of funds committed, or for the purpose of losing as little funds as possible, the following recommendations should be implemented:

1. Programming of financial assistance committed under National IPA 2012-2013 must make due consideration of institutional capacity in relevant sectors and shares of funds they can absorb. For example, 16.2 million EUR are programmed for the public administration sector, but this sector has still not used 6.67 million EUR from IPA 2009-2011. To present, public administration absorbed only 2 million EUR from IPA 2007. Given the fact that it took 5 years for the public administration in Macedonia to utilize as little as 2 million EUR, one can reasonably expect that it does not have the capacity to spend other funds programmed in the amount of almost 23 million EUR. Therefore, it is recommended for this sectors to be allocated less funds from National IPA 2012-2013;
2. Government must urgently initiate an inclusive process for developing the National Development Plan 2013-2020, which would be in compliance with Europe 2020 and its seven flagship initiatives, thus paving Macedonia's road towards the EU. This process must include consultations with all stakeholders and society actors. Moreover, it can be closely related to development of Macedonia's negotiating positions for all 33 Chapters. In this manner, the Government will be able to "map" all chapters in terms of existing capacities or lack thereof;
3. Government should start activities on establishing the negotiation teams per chapter. However, in that no reference is made to the 880 persons indicated by Prime Minister Gruevski, but to actual professionals who could contribute to Macedonia's accession in the EU. This should be made in transparent manner and by means of open call for recruiting as many as possible stakeholders that can provide valuable contributions. Such exercise will enable the Government to identify available capacities or lack thereof per sector and per chapter. For that purpose, the Government can use bilateral assistance;

4. Government should make a thorough analysis of EC's Proposal for IPA II for the period 2014-2020 and, as soon as possible, to get involved in the consultations organized at EU level. Any delayed action in that regard would lead to future consequences. The Government's current official position is unserious and does not reflect understanding of IPA's essence (for example, the position that IPA should keep the five components);
5. Together with the Central Financing and Contracting Department (CFCD) at Ministry of Finance, the Government should analyse the share of funds that could be disbursed as grant-awarding schemes (of course, if approved by the European Commission). Announcement of calls for proposals should be synchronized with training on project development targeting potential applicants so that they would be able to submit credible and sustained project proposals. Training of this type can be financed from bilateral assistance, and if that is unfeasible, funds should be secured from the Budget of the Republic of Macedonia;
6. Government should translate Operational Programmes for IPA Components IV and V, notably because contracts for these funds will be signed until 2016 and will be implemented until 2017. Once the main documents are translated, training should be delivered to potential beneficiaries so they could plan projects and relevant timeframes in timely manner;
7. Government should establish a Fund that would be used to finance consulting services needed by potential beneficiaries with a view to implement projects funded under relevant grant-awarding schemes;
8. Government must immediately recruit staff needed at institutions competent to implement IPA, in compliance with the workload analysis. This process can no longer be delayed;
9. Government must IMMEDIATELY dismiss the General IPA Auditor, Mr. Bahcovanovski, and appoint new person free of political party affiliation and holding relevant education and professional background (auditor). This should be complemented with the appointment of Deputy General Auditor and allocation of more funds under the 2012 central budget intended to support these activities.

...IV...

ANNEX

IPA 2007				
Sector	Purpose	Committed (in million EUR)	Paid/year	Project duration
Decentralization	<i>Support for local infrastructure and economic cohesion</i>	7	2010	24 months
Public Administration Reform	<i>General Secretariat of the Government</i>	2	2009/2010	24 months
Project Preparation	<i>Support for programming and project preparation, audit and evaluation for all IPA Components</i>	3	2.3 million EUR/2008/2009	24 months
Judicial Reform	<i>Administrative Court</i>	1.1	December 2009	24 months
Management of EU Funds	<i>Decentralized management system; IPA Training Facility</i>	2	May 2010	24 months
Police Reform	<i>Professional police service; Police Reform Strategy; refurbishing police stations</i>	9	2008/2009	24 months
Tax Reform	<i>Public Revenue Office and Ministry of Finance (revenue collection, services for tax payers and fight against corruption and organized crime)</i>	2	2010	24 months



Sector	Purpose	Committed (in million EUR)	Paid/year	Project duration
State Statistical Office	<i>Administrative and material support to the State Statistical Office; alignment of statistic methodology and standards</i>	2	2009/2010	24 months
Customs Reform	<i>Alignment with the acquis in the area of customs and capacity building for the Customs Administration</i>	3	2.75 million EUR /2009/2010	24 months
Preparations for Life-Long Learning and Youth in Action Programmes	<i>Support for the National Agency; public campaigns; participation in joint activities</i>	0.9	??	24 months
Community Programmes	<i>Payment of entry tickets</i>	0.94	2008/2009/2010	24 months
Energy	<i>Support for regulatory and supervisory bodies profiled in the energy field</i>	2	2009/2010	24 months
<b>TOTAL</b>		34.94		

IPA 2008				
Sector	Purpose	Committed (in million EUR)	Paid/year	Project duration
Democracy and Fundamental Rights	<i>Capacity building for the Directorate for Personal Data Protection; the Ombudsman; Roma Strategy</i>	2.4	2010	24 months
Civil Society	<i>Grant-awarding scheme</i>	0.7	2011	24 months
	<i>Technical assistance</i>	0.5		24 months
Decentralization	<i>Fiscal Decentralization</i>	1.35	2011	24 months
Judicial Reform	<i>Strengthening independence and capacity building for the judicial system</i>	1.6	April 2010	24 months
Management of EU Funds	<i>Support for the management structure</i>	1.6	February 2011	24 months
Police Reform	<i>Integrated border management</i>	5.95	1.7 million EUR /2010/2011	24 months
Customs Reform	<i>Support for strengthening operational capacity</i>	3.5	3.04 million EUR /2010	24 months
Community Programmes	<i>Payment of entry tickets</i>	2	2010/2011	24 months
Veterinary and Phytosanitary Policy and Food Safety	<i>Capacity building in the livestock sector</i>	3.3	2.8 million EUR /2010	24 months
Agriculture and Rural Development	<i>Support for capacity development</i>	2	1.65 million EUR /2010	24 months

Sector	Purpose	Committed (in million EUR)	Paid/year	Project duration
Environment	<i>Sustainable development and capacity building</i>	3.1	2.93 million EUR /2010	24 months
Project Preparation Facility	<i>Support for project development, audit and evaluation</i>	3	2.3 million EUR /2009/2010/2011	24 months
Public Procurement	<i>Capacity building for the Bureau for Public Procurements in regard to supervision and advisory function</i>	1.2	0.986 million EUR /2010	24 months
TAM/BAS Programme	<i>Promoting, developing and expanding capacities</i>	2.1	2.1 million EUR EUR/2010	24 months
Support to the Agency for Supervision of Fully Funded Pension Insurance (MAPAS)	<i>Technical assistance; capacity building, strengthening practices and mechanisms</i>	1	0.880 million EUR /2010	24 months
Free Movement of Goods	<i>Technical, administrative and material assistance for the Standardisation Institute, the Accreditation Institute and the Bureau of Metrology</i>	1.8	1.8 million EUR /2010	24 months
<b>TOTAL</b>		37.1		

IPA 2009				
Sector	Purpose	Committed (in million EUR)	Paid/year	Project duration
Civil Society	<i>Grant-awarding scheme</i>	1.5		24 months
Decentralization	<i>Improving quality and accessibility of public services at local level</i>	0.99		24 months
Public Administration Reform	<i>Capacity building for the Ministry of Information Society and Administration</i>	0.99		24 months
Judicial Reform	<i>Reform of criminal legislation; increasing efficiency</i>	1.27		24 months
Human (Minority) Rights	<i>Capacity building for respecting the human rights of detainees and at penitentiary institutions</i>	1.8		24 months
Police Reform	<i>National police</i>	1.026		24 months
	<i>TETRA</i>	3.57		24 months
State Statistical Office	<i>Capacity building and alignment with EU acquis in the field of statistics</i>	1.46		24 months
Customs Reform	<i>Alignment with EU acquis on the Customs Union</i>	2.91		24 months
Preparations for Life-Long Learning and Youth in Action Programmes	<i>National Agency; information campaigns; testing capacity to manage the programmes</i>	2		24 months
Community Programmes	<i>Assistance for participation in certain programmes</i>	1.633		24 months
Transport	<i>Enhancing efficiency and effectiveness in the transport sector</i>	0.72		24 months
Energy	<i>Increasing competitiveness on the energy market</i>	1.7		24 months
Environment	<i>Sustainability of environment project management</i>	2.985		24 months

Sector	Purpose	Committed (in million EUR)	Paid/year	Project duration
Agriculture and Rural Development	<i>Development and support for the sector</i>	2.597		24 months
Veterinary and Phytosanitary Policy and Food Safety	<i>Improving protection of human, animal and plant health</i>	1.74		24 months
Project Preparation Facility	<i>Support for preparation and implementation of IPA activities</i>	2.71		24 months
Competition Policy	<i>Support and capacity building for market competitiveness</i>	0.95		24 months
Macroeconomy	<i>Improving quality of information and economic analysis skills</i>	1.217		24 months
Information Society and Media	<i>Capacity building for regulatory bodies in the field of electronic communications; alignment with EU regulatory framework</i>	0.81		24 months
NBRM	<i>Supporting the National Bank's preparations for membership in the European System of Central Banks and the European Central Bank</i>	0.405		24 months
Blood Safety	<i>Capacity building and increasing sustainability of the blood safety system</i>	0.897		24 months
Cultural Heritage	<i>Enhancing cross-border cooperation, by promoting shared cultural heritage</i>	1.16		24 months
<b>TOTAL</b>		37.04		

IPA 2010				
Sector	Purpose	Committed (in million EUR)	Paid/year	Project duration
Participation in Community Programmes and EU Agencies	<i>Co-financing participation in EU programmes and activities; capacity building</i>	4.782		24 months
Civil Society	<i>Strengthening local level capacities for cooperation with NGOs</i>	1.417		24 months
Anticorruption	<i>Implementation of the national anti-corruption legislation</i>	1.349		24 months
Public Administration Reform	<i>Legislation; Ministry of Information Society and Administration; General Secretariat</i>	2.085		24 months
Judicial Reform	<i>Judicial Council; Council of Public Prosecutors</i>	3		24 months
EU negotiation process	<i>Capacity building</i>	1.995		24 months
Minority Rights	<i>SIOFA; Roma Strategy; Agency for Protection of Minorities</i>	1.62		24 months
Police Reform	<i>Organised crime, border police, police reform</i>	2.512		24 months
Tax Reform	<i>Improving quality of services; increasing transparency and accountability</i>	1.33		24 months
Customs Reform	<i>Alignment with EU acquis</i>	1.8		24 months

Sector	Purpose	Committed (in million EUR)	Paid/year	Project duration
Preparations for Life-Long Learning and Youth in Action Programmes	<i>Co-financing participation in the programmes; preparations and support for the National Agency; public campaigns; participation in pilot-projects</i>	2		24 months
Environment	<i>Capacity building for municipalities</i>	2.625		24 months
Cultural Heritage	<i>Restoration of Skopje Old Bazaar</i>	0.807		24 months
Veterinary and Phytosanitary Policy and Food Safety	<i>Technical assistance</i>	3.643		24 months
Industrial Policy	<i>Capacity building for the Ministry of Economy</i>	2.673		24 months
Consumer Protection	<i>Alignment of national legislation with EU acquis; developing institutional and technical capacity</i>	1.197		24 months
Freedom of Movement of Workers	<i>Strengthening institutional and administrative capacities</i>	0.902		24 months
Movement of Capital	<i>Better regulation and surveillance for transparent and efficient system</i>	1.170		24 months
<b>TOTAL</b>		36.90		

IPA 2011				
Sector	Purpose	Committed (in million EUR)	Paid/year	Project duration
Democracy and Fundamental Rights	<i>Freedom of expression</i>	1.46		
Civil Society	<i>Grant-awarding scheme</i>	1.2		
Public Administration Reform	<i>Public Administration Reform; e-Government; capacity building for the Ministry of Information Society and Administration and the State Administration Inspectorate</i>	3.595		
Judicial Reform	<i>Alternative sanctions</i>	1.15		
Management of EU Funds	<i>Decentralized management of EU funds</i>	1.05		
Minority Rights	<i>Internally displaced persons, refugees and minority groups</i>	2.962		



Sector	Purpose	Committed (in million EUR)	Paid/year	Project duration
Police Reform	<i>Police reform, fight against organized crime</i>	1.35		
Agriculture and Rural Development		2.537		
Environment		1.305		
Project Preparation Facility		3		
Intellectual Property		1.33		
Community Programmes		4.61		
Social Development		1.373		
Gender Equality		0.855		
Private Sector Development		1.269		
<b>TOTAL</b>		29.046		

Decentralization (support for local governments)				
Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2007	<i>Support for local infrastructure and economic cohesion</i>	7	2010	24 months
2008	<i>Fiscal decentralization</i>	1.35	2011	24 months
2009	<i>Improving quality and accessibility of public services at local level</i>	0.99		24 months
<b>TOTAL</b>		9.34		

Public Administration Reform				
Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2007	<i>General Secretariat of the Government</i>	2	2009/2010	24 months
2009	<i>Capacity building for the Ministry of Information Society and Administration</i>	0.99		24 months
2010	<i>Legislation; Ministry of Information Society and Administration; General Secretariat</i>	2.085		24 months
2011	<i>Public Administration Reform and e-Government; capacity building for the Ministry of Information Society and Administration and the State Administrative Inspectorate</i>	3.595		24 months
<b>TOTAL</b>		8.67		

Project Preparation Facility				
Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2007	<i>Support for programming and project development, audit and evaluation for all IPA Components</i>	3	2.3 million EUR /2008/2009	24 months
2008	<i>Support for project development, audit and evaluation under the five components of IPA</i>	3	2.3 million EUR /2009/2010/2011	24 months
2009	<i>Support for preparation and implementation of IPA activities</i>	2.71		24 months
2011		3		
<b>TOTAL</b>		11.71		

Judicial Reform				
Year	Purpose	Committed (in million EUR)	Paid/year	Project's Duration
2007	<i>Administrative Court</i>	1.1	December 2009	24 months
2008	<i>Capacity building and strengthening the independence of the judicial system</i>	1.6	April 2010	24 months
2009	<i>Reform of criminal legislation; Increasing efficiency</i>	1.27		24 months
2010	<i>Judicial Council; Council of Public Prosecutors</i>	3		24 months
2011	<i>Alternative sanctions</i>	1.15		
<b>TOTAL</b>		8.12		

Management of EU Funds				
Year	Purpose	Funds committed (in million EUR)	Funds spent (in million EUR)/ year	Project's Duration
2007	<i>Decentralised management system; IPA Training Facility</i>	2	May 2010	24 months
2008	<i>Support for the management structure</i>	1.6	February 2011	24 months
2011	<i>Decentralized management of EU funds</i>	1.05		24 months
<b>TOTAL</b>		4.65		

Police Reform				
Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2007	<i>Professional police service; Police Reform Strategy (central and local level)</i>	9	2008/2009	24 months
2008	<i>Integrated border management</i>	5.95	1.7 million EUR /2010/2011	24 months
2009	<i>National police</i>	1.026		24 months
	<i>TETRA</i>	3.57		24 months
2010	<i>Organised crime, border police, police reform</i>	2.512		24 months
2011	<i>Police reform, fight against organized crime</i>	1.35		
<b>TOTAL</b>		23.408		

Tax Reform				
Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2007	<i>Public Revenue Office and Ministry of Finance (revenue collection, services to tax payers and fight against corruption and organized crime)</i>	2	2010	24 months
2010	<i>Improving quality of services; increasing transparency and accountability</i>	1.33		24 months
<b>TOTAL</b>		3.33		

State Statistical Office				
Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2007	<i>Administrative and material support to the State Statistical Office; alignment of statistic methodology and standards</i>	2	2009/2010	24 months
2009	<i>Capacity building and alignment with EU acquis in statistics</i>	1.46		24 months
<b>TOTAL</b>		3.46		

Customs Reform				
Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2007	<i>Alignment with the EU acquis in the area of customs and capacity building for the Customs Administration</i>	3	2.75 million EUR /2009/2010	24 months
2008	<i>Strengthening the operational capacity</i>	3.5	3.04/2010	24 months
2009	<i>Alignment with EU acquis on the Customs Union</i>	2.91		24 months
2010	<i>Approximation of national legislation with EU acquis</i>	1.8		24 months
<b>TOTAL</b>		11.21		

Preparations for Life-Long Learning and Youth in Action Programmes				
Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2007	<i>Support for the National Agency; public campaigns; participation in joint activities</i>	0.9		24 months
2009	<i>National Agency; information campaigns; testing the capacity to manage programmes</i>	2		24 months
2010	<i>Co-financing participation in programmes; preparations of the National Agency; public campaigns; participation in pilot-projects</i>	2		24 months
<b>TOTAL</b>		4.9		

Community Programmes				
Year	Purpose	Committed (in million EUR)	Paid/year	Project's Duration
2007	<i>Payment of entry tickets</i>	0.94	2008/2009/2010	24 months
2008	<i>Payment of entry tickets</i>	2	2010/2011	24 months
2009	<i>Assistance for participation in certain programmes</i>	1.633		24 months
2010	<i>Co-financing participation in Community Programmes and EU activities; capacity building</i>	4.782		24 months
2011		4.61		
<b>TOTAL</b>		13.96		

Energy				
Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2007	<i>Supporting the regulatory and supervisory bodies in the energy field</i>	2	2009/2010	24 months
2009	<i>Increasing competitiveness on the energy market</i>	1.7		24 months
<b>TOTAL</b>		3.7		

### Veterinary and Phytosanitary Policy and Food Safety

Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2008	<i>Capacity building in the livestock sector</i>	3.3	2.8 million EUR /2010	24 months
2009	<i>Improving protection of human, animal and plant health</i>	1.74		24 months
2010	<i>Technical assistance</i>	3.643		24 months
<b>TOTAL</b>		8.683		

### Civil Society

Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2008	<i>Grant-awarding scheme; technical assistance</i>	1.2	2011	24 months
2009	<i>Grant-awarding scheme</i>	1.5		24 months
2010	<i>Capacity building for cooperation with NGOs on local level</i>	1.417		24 months
2011	<i>Grant-awarding scheme</i>	1.2		
<b>TOTAL</b>		5.317		



Human and Minority Rights				
Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2009	<i>Capacity building for respecting human rights of detainees and at penitentiary institutions</i>	1.8		24 months
2010	<i>SIOFA; Roma Strategy; Agency for Protection of Minorities</i>	1.62		24 months
2011		2.962		
<b>TOTAL</b>		6.382		

Agriculture and Rural Development				
Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2008	<i>Supporting capacity building</i>	2	1.65 million EUR /2010	24 months
2009	<i>Development and support in the sector</i>	2.597		24 months
2011		2.537		24 months
<b>TOTAL</b>		7.134		

Environment				
Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2008	<i>Sustainable development and capacity building</i>	3.1	2.93 million EUR /2010	24 months
2009	<i>Sustainability in environment project management</i>	2.985		24 months
2010	<i>Capacity building for the municipalities</i>	2.625		24 months
2011		1.305		
<b>TOTAL</b>		10.015		

Cultural Heritage				
Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2009	<i>Enhancing cross-border cooperation, by promoting shared cultural heritage</i>	1.16		24 months
2010	<i>Restoration of the Skopje Old Bazaar</i>	0.807		24 months
TOTAL		1.967		

Democracy and Fundamental Rights				
Year	Purpose	Committed (in million EUR)	Paid/year	Project duration
2008	<i>Capacity building for the Directorate for Personal Data Protection; the Ombudsman; Roma Strategy</i>	2.4	2010	24 months
2011	<i>Freedom of expression</i>	1.46		24 months
<b>TOTAL</b>		3.86		

Single Intervention Support - IPA 2008				
Sector	Purpose	Committed (in million EUR)	Paid/year	Project duration
Public Procurement	<i>Capacity building for the Bureau of Public Procurements in terms of supervision and advisory functions</i>	1.2	0.986 million EUR /2010	24 months
TAM/BAS Programme	<i>Promoting, developing and expanding capacities</i>	2.1	2.1 million EUR /2010	24 months
Support to the Agency for Supervision of Fully Funded Pension Insurance (MAPAS)	<i>Technical assistance; capacity building, improving practices and mechanisms</i>	1	0.880 million EUR /2010	24 months
Free Movement of Goods	<i>Technical, administrative and material assistance to the Standardisation Institute, the Accreditation Institute and the Bureau of Metrology</i>	1.8	1.8 million EUR /2010	24 months
<b>TOTAL</b>		6.1		

### Single Intervention Support - IPA 2009

Sector	Purpose	Committed (in million EUR)	Paid/year	Project duration
Transport	<i>Enhancing efficiency and effectiveness in the transport sector</i>	0.72		24 months
Competition Policy	<i>Promoting and capacity building for market competitiveness</i>	0.95		24 months
Macroeconomy	<i>Improving quality of information and skills for economic analysis performance</i>	1.217		24 months
Information Society and Media	<i>Capacity building for regulators in the field of electronic and telecommunications; alignment with EU regulatory framework</i>	0.81		24 months
NBRM	<i>Supporting the National Bank's preparations for membership in the European System of Central Banks and the European Central Bank</i>	0.405		24 months
Blood Safety	<i>Capacity building and increasing sustainability of the blood safety system</i>	0.897		24 months
<b>TOTAL</b>		4.999		

Single Intervention Support - IPA 2010				
Sector	Purpose	Committed (in million EUR)	Paid/year	Project duration
Anticorruption	<i>Implementation of national anti-corruption legislation</i>	1.349		24 months
EU Negotiations	<i>Capacity building</i>	1.995		24 months
Industrial Policy	<i>Capacity building for the Ministry of Economy</i>	2.673		24 months
Consumer Protection	<i>Alignment of national legislation with EU acquis; institutional and technical capacity building</i>	1.197		24 months
Freedom of Movement of Workers	<i>Institutional and administrative capacity building at national level</i>	0.902		24 months
Movement of Capital	<i>Improving regulation and surveillance for transparent and efficient system</i>	1.170		24 months
<b>TOTAL</b>		9.286		

Single Intervention Support - IPA 2011				
Sector	Purpose	Committed (in million EUR)	Paid/year	Project duration
Intellectual Property		1.33		
Social Development		1.373		
Gender Equality		0.855		
Private Sector Development		1.269		
<b>TOTAL</b>		4.827		

## Projects funded under IPA Component IV

Axis/ Measure	Project	Project holder	Amount	Date	Duration (months)
<b>1. Employment – attracting and keeping people in employment</b>	<i>1.1. – Modernization of the Employment Agency of the Republic of Macedonia</i>	Archidata SRI, Italy - EARM	1.4 million EUR	09/2011	18
	<i>1.2.- Employment Strategy</i>	Agency for European Integration and Economic Development, Austria - MTSP	1.8 million EUR	09/2011	18+3
	<i>1.3.- Employment of young, women and long-term unemployed</i>	EARM	1.3 million EUR	11/2010	15
	<i>1.4- Transforming informal into formal employment</i>	Inspection Services – MLSP	1 million EUR	09/2011	15
<b>2. Modernizing the educational and training system</b>	<i>2.1. – Investing in human capital through better education and skills</i>	Institute of the Republic of Slovenia for Vocational Education and Training – Centre for Vocational Education and Training	2.1million EUR + 863,000 EUR for procurements	08/2011 procurements 04/2012	23 procurements - 5
	<i>2.2. Integration of ethnic communities – access to quality education</i>	Agency for European Integration and Economic Development, Austria – Directorate for development and promotion of education in languages of the members of communities (Ministry of Education and Science)	1.1 million EUR	03/2012	12+3 twinning
	<i>2.3. Capacity building for the Centre for Adult Education, developing adult education curricula on literacy and primary education completion for excluded people</i>	GIP International (France) in consortia with FIIAPP (Spain) – Centre for Adult Education	1.7 million EUR	09/2011	22+3 twinning

Axis/ Measure	Project	Project holder	Amount	Date	Duration (months)
<b>3. Social Inclusion</b>	<i>3.1. Social inclusion and inclusive labour market</i>	MLSP	1.5 million EUR	09/2011???	20
	<i>3.2. Integration of ethnic communities (women) in the labour market</i>	Service contract +grant scheme (525,000 + 1.6) – MLSP	2.1 million EUR	12/2011 07/2011	15
	<i>3.3. Empowering relevant actors</i>	Cambridge Education, UK – Ministry of Labour and Social Policy	150,000 EUR	10/2011	12
<b>4. Technical Assistance</b>	<i>1. Implementation of OP's communication action plan</i>	ARS Progetti Consortium, Italy	177,000 EUR	12/2010	24
	<i>2. Data management system for IPA Component IV</i>		50,000 EUR	09/2011	8
	<i>3. Financing operational costs incurred by the management structure</i>		306,000 EUR	???	
	<i>4. Revision of the Operational Programme and relevant indicators</i>	ARS Progetti Consortium, Italy	173,000 EUR	05/2011	18
	<i>5. Preparations for management of ESF</i>	Ministry of Employment and Economy, Finland	700,000 EUR	12/2010	12+3

### Projects funded under IPA Component V

No.	Beneficiary	Municipality	Measure	Type of investment
1	DPTUMEDI Goran DOOEL	VELES	101	10151 Construction/reconstruction of farm buildings for sows and fattening pigs
2	Males Breza DOO	BEROVO	101	10121 Reconstruction of orchards
3	Agria- Agricultural Holding DOO, Veles	VELES	101	10151 Construction/reconstruction of farm buildings for sows and fattening pigs
4	TDPPT DIVINODOO export-import	BOGDANCI	103	10311 Equipment purchase to improve quality of wine
5	DPPTU Fruktana DOO, village Argulica Karbinici	KARBINCI	103	10322 Equipment purchases to improve and modernize production technologies in fruit and vegetables processing establishments
6	DZPPU FRUTEMADOOEL, Marena Kavadarci	KAVADARCI	101	10121 Reconstruction of orchards
7	Evromak-DOOEL	STRUMICA	103	10321 Construction and reconstruction of buildings for setting up and modernizing fruit and vegetable collection centres
8	DTTU ATLANTIK DOOEL Export-Import	ARACINOVO	103	10321 Construction and reconstruction of buildings for setting up and modernizing fruit and vegetable collection centres
9	IZ Aneta Spasevska	VELES	101	10111 Reconstruction of vineyards
10	IZ Biljana Spasovska	VELES	101	10111 Reconstruction of vineyards
11	PIVKO STEVO DOOEL	MOGILA	101	10141 Construction/reconstruction of farm buildings for dairy animals (dairy cows, sheep and goats)



	FINANCIAL ASSISTANCE (in MKD)		Total value of investment
	Financial assistance provided by EU	Financial assistance secured from the Budget of the Republic of Macedonia	
	1,575,793.690	525,264.56	4,202,116.50
	853,202.55	284,400.85	2,068,369.82
	3,254,222.63	1,084,740.88	8,677,927.02
	4,126,362.23	1,375,454.08	11,003,632.62
	9,148,044.98	3,049,348.33	24,394,786.62
	959,624.58	319,874.86	2,326,362.61
	4,397,367.90	1,465,789.30	11,726,314.40
	9,067,668.34	3,022,556.11	24,180,448.90
	161,302.63	53,767.54	391,036.68
	139,344.63	46,448.21	337,805.16
	7,712,916.21	2,570,972.07	18,697,978.69

No.	Beneficiary	Municipality	Measure	Type of investment
12	<i>Maranco</i> DOOEL	MOGILA	101	10141 Construction/reconstruction of farm buildings for dairy animals (dairy cows, sheep and goats)
13	<i>Zito Males</i> , Swine Farm AD	BEROVO	101	10151 Construction/reconstruction of farm buildings for sows and fattening pigs
14	<i>SentisAG</i> DOOEL Export Import	TETOVO	103	10332 Investments in modernization and technological upgrade of dairy establishments with specialized production
15	DPTU <i>ZOI-UNIONE</i> Export-Import DOO	KAVADARCI	101	10121 Reconstruction of orchards
16	ZTD <i>Stocarstvo</i> AD	BOGDANCI	103	10332 Investments in modernization and technological upgrade of dairy establishments with specialized production
17	DPTU <i>Mikasta</i> DOO	CENTAR	101	10121 Reconstruction of orchards
18	Pavlina Todevska	SVETI NIKOLE	101	10111 Reconstruction of vineyards
19	DPTU <i>Mavrovo J-T</i> DOO Export-Import	CENTAR	103	10332 Investments in modernization and technological upgrade of dairy establishments with specialized production
20	DPTU <i>Poledelstvo</i> DOO	KARBINCI	101	10111 Reconstruction of vineyards

	FINANCIAL ASSISTANCE (in MKD)		Total value of investment
	Financial assistance provided by EU	Financial assistance secured from the Budget of the Republic of Macedonia	
	9,428,967.51	3,142,989.17	22,858,103.05
	3,842,836.38	1,280,945.46	10,247,563.68
	1,840,364.38	613,454.79	4,907,638.34
	1,522,246.88	507,415.63	4,059,325.02
	1,802,231.55	600,743.85	4,805,950.80
	215,920.71	71,973.57	575,788.56
	228,715.26	76,238.42	609,907.36
	1,341,127.38	447,042.46	3,576,339.68
	3,000,000.00	1,000,000.00	8,000,000.00

No.	Beneficiary	Municipality	Measure	Type of investment
21	WINERY PECA, branch office	KAVADARCI	103	10311 Equipment purchase to improve wine quality
22	TDPTGM Rudine MMDOO Export-Import	CENTAR	103	10321 Construction and reconstruction of buildings for setting up and modernizing fruit and vegetable collection centres
23	DPTU Vipro DOOEL	GEVGELIJA	103	10322 Equipment purchase to improve and modernize production technologies in fruit and vegetables processing establishments
24	Rujko Kompani DOOEL	RADOVIS	103	10321 Construction and reconstruction of buildings for setting up and modernizing fruit and vegetable collection centres
25	ZEM Proizvod DOOEL	KARBINCI	101	10111 Reconstruction of vineyards
26	Petar Cucanov	GEVGELIJA	101	10121 Reconstruction of orchards
27	DPTU EKO Mleko DOO	RADOVIS	302	30211 Investments in on-farm and off-farm processing capacities

	FINANCIAL ASSISTANCE (in MKD)		Total value of investment
	Financial assistance provided by EU	Financial assistance secured from the Budget of the Republic of Macedonia	
	732,270.00	244,090.00	1,952,720.00
	17,849,438.87	5,949,812.96	47,598,503.66
	603,718.01	201,239.34	1,609,914.70
	3,637,566.97	1,212,522.32	9,700,178.58
	2,243,971.42	747,990.47	5,983,923.78
	155,508.62	51,836.21	414,689.66
	1,228,141.14	409,380.38	3,275,043.04

No.	Beneficiary	Municipality	Measure	Type of investment
1	DPTU <i>Mladost Prom Kompani</i> Export-Import DOOEL	Bosilovo	101	10131 Construction and reconstruction of fixed greenhouses (excluding plastic tunnels)
2	ZDPUTT <i>Mlekara Miki</i> Export-Import Prilep DOO (protective workshop for disabled persons)	Prilep	103	10331 Investments in setting up and modernizing milk collection centres
3	IZ <i>DAAL</i> -Emilija Kostovska	Petrovec	101	10121 Reconstruction of orchards
4	<i>Mlekara</i> DOO, Stip (dairy farm)	Stip	103	10332 Investment in modernization and technological upgrade of dairy establishments with specialized production
5	DPTU <i>BUCISTE</i> DOO Export-Import, Probistip	Probistip	101	10111 Reconstruction of vineyards
6	<i>Vineam-farm</i> AD, Vinica (cattle-breeding farm)	Vinica	101	10151 Construction/reconstruction of farm buildings for sows and fattening pigs
7	DPTU <i>Gradina-Cvet</i> DOO, village Vladievci	Vasilevo	101	10131 Construction and reconstruction of fixed greenhouses (excluding plastic tunnels)
8	TDVIL <i>Bonum Plus</i> DOOEL (protection workshop for disabled persons)	Staro Nagoricane	103	10322 Equipment purchase for improving and modernizing production technologies in fruit and vegetables processing establishments
9	<i>HIT PRASKA ROS</i> DOOEL Export-Import	Gradsko	101	10121 Reconstruction of orchards
10	Pece Necovski	Resen	101	10121 Reconstruction of orchards

	Total amount of financial assistance	Amount of financial assistance (EU contribution)	Total value of approved investment
	2,016,332.19	1,512,249.14	4,032,664.37
	10,573,287.33	7,929,965.50	21,146,574.66
	776,024.37	582,018.28	1,410,953.40
	4,965,085.11	3,723,813.83	9,930,170.20
	885,058.65	663,793.99	1,770,117.30
	8,659,890.93	6,494,918.20	17,319,781.87
	13,313,530.65	9,985,147.99	24,206,419.38
	24,654,629.59	18,490,972.19	49,309,259.18
	473,738.16	355,303.62	947,476.33
	171,333.33	128,500.00	342,666.66

No.	Beneficiary	Municipality	Measure	Type of investment	
11	<i>MIGORSS</i> -Mite Eftimov	Radovis	101	10111 Reconstruction of vineyards	
12	Nevzat Sakirovski	Resen	101	10121 Reconstruction of orchards	
13	<i>AGRO-CIBALE</i> DOOEL	Resen	101	10121Reconstructionof orchards	
14	Goran Dinevski	Resen	101	10121Reconstructionof orchards	
15	Sebaedin Tringo	Resen	101	10121Reconstructionof orchards	
16	Genc Sedaliu	Resen	101	10121Reconstructionof orchards	
17	Ace Zaekov	Gradsko	101	10131Construction and reconstructionoffixedgreenhouses(excludin gplastic tunnels)	
18	Violeta Prculovska	Resen	101	10121Reconstructionof orchards	
19	Milka Dojcinovska	Resen	101	10121Reconstructionof orchards	
20	Venka Manevska	Resen	101	10121Reconstructionof orchards	
21	DPTU <i>LARS</i> DOOEL, Stip	Stip	103	10322 Equipment purchase forimprovingand modernizing production technologiesinfruitandvegetablesprocessingestablishments	
22	DPPU <i>VINARIJA POPOV</i> DOOEL Export-Import, Sopot Kavadarci	Kavadarci	103	10311 Equipment purchase to improvewinequality	
23	DPMPM <i>MLEKARA</i> <i>MILKOM</i> Export-Import Hristo Nikolov DOOEL	Gradsko	103	10332Investments in modernizationandtechnological upgradeofdairyestablishmentswithspecializedproduction	



	Total amount of financial assistance	Amount of financial assistance (EU contribution)	Total value of approved investment
	177,487.63	133,115.72	354,975.25
	174,261.91	130,696.43	348,523.81
	182,971.91	137,228.93	365,943.81
	183,634.52	137,725.89	333,880.95
	154,065.20	115,548.90	308,130.39
	231,650.00	173,737.50	463,300.01
	312,354.91	234,266.18	567,918.00
	171,333.33	128,500.00	342,666.66
	184,500.00	138,375.00	369,000.00
	174,451.00	130,838.25	348,902.00
	14,044,000.13	10,533,000.10	28,088,000.28
	2,794,060.00	2,095,545.00	5,588,120.00
	2,662,678.81	1,997,009.11	5,325,357.64

No.	Beneficiary	Municipality	Measure	Type of investment	
24	DPTU <i>AGRAR PROMET</i> DOOEL Export-Import, village Borievo	Bosilovo	101	10131 Construction and reconstruction of fixed greenhouses (excluding plastic tunnels)	
25	Biljana Vrgova	Bosilovo	101	10131 Construction and reconstruction of fixed greenhouses (excluding plastic tunnels)	
26	Tatajana Ordanova	Kavadarci	101	10121 Reconstruction of orchards	
27	DPT <i>ANETA KOMPANI</i> DOOEL, Skopje	Kisela Voda	103	10322 Equipment purchase for improving and modernizing production technologies in fruit and vegetables processing establishments	
28	<i>ERIGON GOLD</i> DOO	Rosoman	101	10121 Reconstruction of orchards	
29	DPTU <i>FARMA-AGRIPRO</i> DOO Export-Import, Valandovo	Valandovo	101	10121 Reconstruction of orchards	

	Total amount of financial assistance	Amount of financial assistance (EU contribution)	Total value of approved investment
	966,464.32	724,848.24	1,932,928.63
	784,059.24	588,044.43	1,425,562.26
	178,215.00	133,661.25	356,430.00
	2,831,306.12	2,123,479.59	5,662,612.25
	422,541.63	316,906.22	768,257.50
	379,653.04	284,739.78	759,306.08

No.	Beneficiary	Municipality	Measure	Type of investment	
30	DPTT <i>NATASA</i> DOO MLEKARA, Berovo (dairy)	Pehcevo	103	10332 Investments in modernization and technological upgrade of dairy establishments with specialized production	
31	TDTU <i>ALTRA</i> DOO EL	Gevgelija	103	10321 Construction and reconstruction of buildings for setting up and modernizing fruit and vegetable collection centres	
32	Meat Industry and Slaughterhouse <i>Sveti Nikole</i> DOO	Sveti Nikole	103	10343 Investments to mitigate negative impact on environment in meat processing establishments and slaughter-houses	
33	DPTT <i>TRANS-TREJD Vanco</i> DOO EL, branch ZEMJODELIE	Gradsko	101	10111 Reconstruction of vineyards	
34	IZ AGROVARDAR	Gradsko	101	10111 Reconstruction of vineyards	
35	<i>EVRO KOM</i> DOO	Negotino	103	10321 Construction and reconstruction of buildings for setting up and modernizing fruit and vegetable collection centres	
36	Mite Kotev	Strumica	101	10131 Construction and reconstruction of fixed greenhouses (excluding plastic tunnels)	

	Total amount of financial assistance	Amount of financial assistance (EU contribution)	Total value of approved investment
	4,990,448.25	3,742,836.19	9,980,896.50
	9,434,125.00	7,075,593.75	18,868,250.00
	14,366,991.08	10,775,243.31	28,733,982.17
	316,876.25	237,657.19	633,752.50
	256,117.05	192,087.79	465,667.38
	5,232,587.00	3,924,440.25	10,465,174.00
	382,108.99	286,581.74	764,217.99

No.	Beneficiary	Municipality	Measure	Type of investment
1	Sasko Vasilevski	Resen	101	10121 - Reconstruction of orchards
2	Dzani Sakiri	Resen	101	10121 - Reconstruction of orchards
3	Violeta Gerasovska	Resen	101	10121 - Reconstruction of orchards
4	Danica Musikovska	Resen	101	10121 - Reconstruction of orchards
5	DPTU <i>KOSMIDIS</i> Import- Export DOOEL	Bitola	101	10121 - Reconstruction of orchards
6	Aco Simonovski	Resen	101	10121 - Reconstruction of orchards
7	IZ MITKO AGRAR	Vasilevo	101	10121 - Reconstruction of orchards
8	<i>ZZ OVOSTAR</i>	Karbinci	101	10111 Reconstruction of vineyards
9	<i>ZZ ILINDEN</i>	Karbinci	101	10111 Reconstruction of vineyards
10	IZ AGRO JASMIN	Bosilovo	101	10131 Construction and reconstruction of fixed greenhouses (excluding plastic tunnels)
11	<i>ROJAL 08</i> DOOEL	Sveti Nikole	101	10111 Reconstruction of vineyards
12	Danilco Palankov	Strumica	101	10131 Construction and reconstruction of fixed greenhouses (excluding plastic tunnels)
13	Tomce Sikalevski	Resen	101	10121 - Reconstruction of orchards
14	<i>BOMA FARM</i>	Cesinovo - Oblesevo	101	10141 Construction/Reconstruction of farm buildings for dairy animals (dairy cows, sheep and goats)
15	<i>VIZNAŠT</i> DOOEL	Bitola	101	10121 - Reconstruction of orchards
16	Nikolina Ugrinovska	Resen	101	10121 - Reconstruction of orchards

	Total amount of financial assistance	Total amount of financial assistance (EU contribution)	Total value of approved investment
	180,107.14	135,080.36	360,214.28
	198,115.24	148,586.43	360,209.52
	184,499.95	138,374.96	368,999.90
	196,507.15	147,380.36	357,285.71
	547,910.69	410,933.01	996,201.25
	184,500.00	138,375.00	369,000.00
	434,219.87	325,664.90	789,490.67
	2,071,155.97	1,553,366.98	4,142,311.93
	1,500,922.30	1,125,691.72	3,001,844.59
	991,051.22	743,288.42	1,801,911.31
	1,830,263.80	1,372,697.85	3,660,527.60
	3,000,882.50	2,161,184.00	6,001,765.00
	174,190.48	130,642.86	348,380.96
	2,340,000.00	1,755,000.00	4,680,000.00
	1,108,658.02	831,493.51	2,217,316.03
	233,553.57	175,165.18	424,642.86

No.	Beneficiary	Municipality	Measure	Type of investment
17	<i>IZ BLEK MEDZIK</i>	Valandovo	101	10121 - Reconstruction of orchards
18	<i>IZ KAVAZOV</i>	Valandovo	101	10121 - Reconstruction of orchards
19	<i>DZPTU B i L Frui servis</i> DOO, Pirava	Valandovo	101	10121 - Reconstruction of orchards
20	<i>Mak meso AD</i> , (cattle-breeding farm)	Karbinci	101	10151 Construction/Reconstruction of farm buildings for sows and fattening pigs
21	<i>Zi-Va Meso DOOEL</i> , village Amzibegovo Sveti Nikole	Sveti Nikole	101	10151 Construction/Reconstruction of farm buildings for sows and fattening pigs
22	<i>96 SLAVIJA TREJD</i>	Prilep	101	10141 Construction/Reconstruction of farm buildings for dairy animals (dairy cows, sheep and goats)
23	<i>DPTU Darion DOO</i>	Rosoman	101	10121 - Reconstruction of orchards
24	<i>MIKEI INTERNACIONAL</i> DOOEL Export-Import Skopje, branch <i>Kamnik</i> <i>VINEYARDS</i> - Skopje	Gazi Baba	101	10111 Reconstruction of vineyards
25	<i>Joka DOOEL</i>	Strumica	103	10332 Investments in modernization and technological upgrade of milk processing establishments with specialized production
26	<i>Dim Commerce</i>	Valandovo	103	10322 Investments in purchase of equipment for upgrading and modernization of production technologies in fruit and vegetable processing establishments



	Total amount of financial assistance	Total amount of financial assistance (EU contribution)	Total value of approved investment
	235,611.40	176,708.55	428,384.37
	211,221.14	158,415.86	384,038.44
	452,332.59	339,249.44	904,665.17
	12,694,999.50	9,542,496.96	23,081,817.50
	8,573,648.50	6,430,853.16	17,147,297.00
	2,325,000.00	1,743,750.00	4,650,000.00
	1,223,723.34	917,792.50	2,447,446.67
	3,098,003.50	2,323,502.65	6,196,007.07
	1,722,302.40	1,291,726.80	3,444,604.80
	16,500,451.86	12,375,338.90	33,000,903.72

No.	Beneficiary	Municipality	Measure	Type of investment
27	DZPTU <i>OSOGOVO - Milk</i> DOO(dairy industry)	Sopiste	103	10332 Investments in modernization and technological upgrade of milk processing establishments with specialized production
28	DPTU <i>Trajkovski Goce</i> <i>GeN- PROM</i> Import- Export DOOEL	Ohrid	103	10321 Investments in construction/reconstruction of buildings for setting up fruit and vegetable collection centres
29	<i>EKSTRA FUNGI</i>	Kocani	103	10321 Investments in construction/reconstruction of buildings for setting up fruit and vegetable collection centres
30	<i>EKOSTO</i> DOO	Bogdanci	103	10322 Investments in purchase of equipment for upgrading and modernization of production technologies in fruit and vegetable processing establishments
31	<i>SLOGA 88</i> DOO	Radovis	103	10322 Investments in purchase of equipment for upgrading and modernization of production technologies in fruit and vegetable processing establishments
32	DZPPU <i>DRA - GO</i> <i>Goce</i> DOOEL, branch DRA-GO fruit and vegetable establishment	Vranestica	103	10322 Investments in purchase of equipment for upgrading and modernization of production technologies in fruit and vegetable processing establishments
33	DPTU <i>AGROKONSALTING</i> DOOEL	Strumica	103	10321 Investments in construction/reconstruction of buildings for setting up fruit and vegetable collection centres
34	Mlekara Galicnik (dairy)	DOOEL Gradsko	302	30211 Establishing on-farm and off-farm processing capacities

	Total amount of financial assistance	Total amount of financial assistance (EU contribution)	Total value of approved investment
	2,393,204.20	1,794,903.15	4,786,408.00
	1,232,750.00	924,562.50	2,465,500.00
	11,544,018.96	8,658,014.22	23,088,037.92
	771,972.17	578,979.09	1,543,944.34
	5,984,479.06	4,488,359.29	11,968,958.11
	24,515,644.00	18,386,733.00	49,031,288.00
	4,848,778.13	3,636,583.59	9,697,556.25
	6,053,739.79	4,540,304.84	12,107,479.57

No.	Beneficiary	Municipality	Measure	Type of investment
35	DPTU <i>Zoralek Marinkovik</i> DOOEL	Kavadarci	302	30211 Establishing on-farm and off-farm processing capacities
36	ZZ <i>Agro Milenium</i>	Pehcevo	302	30212 Setting-up and modernization of collection centres for mushrooms and medical/oil herbs and spices and facilities for cultivation of mushrooms
37	DPIPU <i>JM Inzenering</i> DOOEL	Pehcevo	302	30213 Establishing workshops for traditional handicraft activities and for agriculture machinery servicing shops
38	DPTU <i>Hribo</i> DOO	Bitola	302	30222 Investments in construction of catering premises, outdoor accommodation (camps) and recreational facilities
39	DPTU <i>Kompanija Krstevski</i> DOOEL	Kisela Voda, Skopje	302	30212 Setting-up and modernizing collection centres for mushrooms and medical/oil herbs and spices and facilities for cultivation of mushrooms
40	TDTU <i>Fit Fan</i> DOO	Centar, Skopje	302	30212 Setting-up and modernizing collection centres for mushrooms and medical/oil herbs and spices and facilities for cultivation of mushrooms

	Total amount of financial assistance	Total amount of financial assistance (EU contribution)	Total value of approved investment
	662,934.02	497,200.51	1,325,868.03
	3,618,977.95	2,714,233.46	7,237,955.90
	1,058,243.97	793,682.97	2,116,487.93
	5,052,363.02	3,789,272.26	10,104,726.03
	1,885,862.50	1,414,396.88	3,771,725.00
	1,705,884.82	1,279,413.62	3,411,769.65

No.	Beneficiary	Municipality	Measure	Type of investment	Total amount of financial assistance	Total amount of financial assistance (EU contribution)	Total value of approved investment
1	IZ Milos Kecoevik	Valandovo	101	10121 - Reconstruction of orchards	201,339.50	151,004.50	366,071.50
2	IZ Ilce Susevski	Resen	101	10121 - Reconstruction of orchards	202,950.00	152,212.50	369,000.00
3	IZ Jone Georgievski	Resen	101	10121 - Reconstruction of orchards	184,500.00	138,375.00	369,000.00
4	Mihail Volkanovski	Resen	101	10121 - Reconstruction of orchards	162,975.00	1 22,231.00	3 25,950.00
5	IZ Lence Kitancevska	Resen	101	10121 - Reconstruction of orchards	200,944.50	150,708.50	365,353.50
6	IZ Nikola Talevski	Bitola	101	10121 - Reconstruction of orchards	180,400.00	135,300.00	328,000.00
7	Biljana Buzlevska	Resen	101	10121 - Reconstruction of orchards	179,564.00	134,673.00	326,480.00

No.	Beneficiary	Municipality	Measure	Type of investment	Total amount of financial assistance	Total amount of financial assistance (EU contribution)	Total value of approved investment
8	IZ Slobotka Pop-Janeva	Sveti Nikole	101	10121 - Reconstruction of orchards	647,425.00	485,569.00	1,294,850.00
9	Nikola Pavlovski	Resen	101	10121 - Reconstruction of orchards	193,725.00	145,293.75	387,450.00
10	<i>SBK Internacional</i> DOOEL	Valandovo	101	10121 - Reconstruction of orchards	979,848.00	734,886.00	1,781,541.50
11	IZ Sebaedin Aliovski	Resen	101	10121 - Reconstruction of orchards	203,339.50	152,504.50	369,708.00
12	IZ <i>Agro-bis</i> Vasil Manivilovski	Bitola	101	10121 - Reconstruction of orchards	946,314.00	709,735.50	1,892,628.50
13	<i>Sanja Goran</i> DOOEL	Negotino	101	10121 - Reconstruction of orchards	356,460.50	267,345.50	712,921.00
14	DPTU <i>Luci Farm</i> DOOEL	Delcevo	101	10121 - Reconstruction of orchards	201,310.50	150,983.00	366,019.00

No.	Beneficiary	Municipality	Measure	Type of investment	Total amount of financial assistance	Total amount of financial assistance (EU contribution)	Total value of approved investment
15	IZ Peco Gulabovski	Bitola	101	10121 - Reconstruction of orchards	188,834.00	141,625.50	377,668.00
16	<i>Agrostrisovci</i> DOO	Probistip	103	10321 - Investments in construction/ reconstruction of buildings for setting up and modernizing fruit and vegetable collection centres	7,759,075.00	5,819,36.00	15,518,150.50
17	<i>Bimfood</i> DOO	Prilep	103	10322 - Equipment purchase to improve and modernize production technologies in fruit and vegetable processing establishments	11,367,245.00	8,525,434.00	22,734,490.00



No.	Beneficiary	Municipality	Measure	Type of investment	Total amount of financial assistance	Total amount of financial assistance (EU contribution)	Total value of approved investment
18	TDPT <i>Rudine MM DOO</i>	Centar *	103	10322 - Equipment purchase to improve and modernize production technologies in fruit and vegetable processing establishments	15,331,515.00	11,498,636.00	30,663,030.00
19	DPTU <i>Ekoinvest</i>	Centar *	103	10321- Investments in construction/ reconstruction of buildings for setting up fruit and vegetable collection centres	4,606,593.50	3,454,945.00	9,213,187.00
20	DZPTU <i>Agro Frutek</i>	Kavadarci	103	10321- Investments in construction/ reconstruction of buildings for setting up fruit and vegetable collection centres	4,293,491.00	3,220,118.00	8,586,982.00

No.	Beneficiary	Municipality	Measure	Type of investment	Total amount of financial assistance	Total amount of financial assistance (EU contribution)	Total value of approved investment
21	DPPUT <i>Fruktana</i> DOO	Stip	103	10322 - Equipment purchase to improve and modernize production technologies in fruit and vegetable processing establishments	4,703,044.00	3,527,283.00	9,406,088.00
22	<i>Baj-Melk</i> DOO, Mavrovo	Rostuse	302	30211 - Investments in establishing on-farm and off-farm processing capacities	6,104,504.50	4,578,378.50	12,209,009.00

Translator's note: Abbreviations standing before the company's name (given in italics) indicate the primary business activity and sometimes the specific field of operation. For example DPTU, DZPTU, DPPUT, etc., where the letters stand for combinations of production, commerce, trade, transport, etc. Abbreviations IZ and ZZ stand for individual farmer and agricultural holding, respectively. Abbreviations following the company's name indicate its organization pursuant to the Company Law and have the following meaning: DOOEL – Single Member Limited Liability Company, DOO – Limited Liability Company, AD – Joint Stock Company.



