



**NEGOTIATION CHAPTER 20:  
ENTERPRISE AND  
INDUSTRIAL POLICY**

**The project is funded by  
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## Negotiation Chapter 20:

# ENTERPRISE AND INDUSTRIAL POLICY

**The project is financed by the European Union.**

**The publication has been produced with the assistance of the European Union.**

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**Published by:**

Foundation for Management and Industrial Research

**About the publisher:**

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**Translation in English:**

Ad Verbum, Skopje

**Graphic design & printing:**

SZD BELA DIZAJN

**Circulation:**

100

*Skopje, 2017*

[www.yes-network.org](http://www.yes-network.org)

[www.poglavje20eu.org](http://www.poglavje20eu.org), *resource centre*

Publication is produced within the “Strengthening capacities and mechanisms for supporting Chapter 20 reform processes (YESNetwork+)” project funded by the European Union within the IPA Programme for Supporting Civil Society and Media 2015, implemented by the Youth Entrepreneurial Service Foundation (coordinator), Foundation for Management and Industrial Research and Association for Rural Development “Javor”.



# CONTENTS

EU– From Six to Twenty-eight.....	5
Membership Criteria – Who can Join?.....	6
EU Negotiations in Eight Points.....	9
What is negotiated?.....	10
Macedonia and the European Union.....	13
Chapters – 33 Steps towards the EU.....	19
Chapter 20 - Enterprise and Industrial Policy.....	23
Contents of the Chapter 20.....	25
Principles of Enterprise and Industrial Policy.....	26
Instruments of Enterprise and Industrial Policy.....	29
Sectoral Policies.....	33
Chapter 20 – Institutional Framework.....	35
Chapter 20 Priorities.....	40
Some findings.....	45
About the Project and the Chapter 20 Platform.....	47



**EU**

**- FROM SIX TO TWENTY-EIGHT**

When in 1950 French Foreign Minister Robert Schuman proposed the establishment of a European Coal and Steel Community aimed to put in place a common market in coal and steel between the six founding countries – Belgium, the Federal Republic of Germany, France, Italy, Luxemburg and the Netherlands - no one would have guessed that 67 years later this community would become the political and economic union of 28 Member States. It was not easy to grow from 6 to 28 countries – during this period the European Union changed its treaties, modernised its institutions, but, more importantly, it strengthened and stabilised democracy and security in Europe. The European Union created the biggest single market, and also increased the continent's potential for trade and economic growth.

Each expansion means reform as well; EU must integrate its future member state and to continue to function properly at the same time. Its first expansion, from six to nine states, has occurred twenty years after the establishment of the European Coal and Steel Community, when in 1973 Denmark, Ireland and Great Britain decided to join the union. Following the first expansion, the Community continued developing by introducing new policies – social policies and environment protection policies as well as by establishing the European Regional Development Fund two years later. In the course of '80s, three states – Greece, Portugal and Spain – joined the European family and a decade later there were three more – Austria, Finland and Sweden. The historical expansion took place in 2004 when ten states accessed EU: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. Three years later, in 2007, EU was also joined by Romania and Bulgaria. After Slovenia joined the EU in 2004, Croatia was the second country from ex-Yugoslavia to join the EU family in July 2013.

European perspective remains open for the entire region of Western Balkan.

The same year when Slovenia became a member, Republic of Macedonia applied for an EU membership. European commission issued an opinion in November 2005, while in December 2005 the Council of Europe decided to grant the status of a candidate country for membership. In October 2009, the European Commission provided a recommendation for starting the negotiation process.

In addition to Macedonia, candidate countries are also Serbia, Montenegro, Albania and Turkey, while Bosnia and Herzegovina and Kosovo are potential candidates.

## Membership Criteria – Who can Join?

The Treaty of the European Union states that any European country may apply for membership if it respects the democratic values of the EU and is committed to continue promoting them together with other members of the European family. First step a state must make is to fulfil the key membership criteria. The criteria were mainly defined at the European Council meeting in Copenhagen in 1993 and are hence referred to as 'the Copenhagen criteria'.

Pursuant to these criteria, the membership in the European Union means that the state willing to join EU must have:

- 1) stable institutions that guarantee democracy, rule of law, human rights and respect and protection of minorities;
- 2) functional market economy and ability to address the market pressures within the single market;
- 3) ability to undertake and successfully meet the obligations arising out of the membership, including the adherence to the goals of political, economic and monetary union. мската и монетарната унија.

For the states of Western Balkan there is also Stabilisation and Association Process introduced aiming at three goals:

- 1) political stabilization and encouraging a rapid transition to the market economy;
- 2) promotion of the regional cooperation;
- 3) membership in the European Union.

Stabilisation and Association Agreement (SAA) is the existing legal framework regulating the relations between Republic of Macedonia and the European Union. Republic of Macedonia is the first country to sign SAA and the first country in which SAA entered into force. SAA was signed on April 9th, 2001 in Luxemburg and after it has been ratified by all signatories, on April 1st, 2004 it entered into force. But, although SAA entered into force in 2004, the parts of SAA regulating trade and trade issues entered into force on June 1<sup>st</sup>, 2001 with the special Interim Agreement on Trade and Trade-related Matters between Republic of Macedonia and the European Community.

The process helps the countries concerned to build their capacity to adopt and implement EU law, as well as European and international standards. It is based on an ever-closer partnership, with the EU offering a mixture of: trade concessions, economic and financial assistance, assistance for reconstruction, development and Stabilisation and Association Agreements – a far-reaching contractual relationship with the EU, entailing mutual rights and obligations. Each country moves step by step towards EU membership as it fulfils its commitments in the Stabilisation and Association Process. The European Commission assesses progress made in annual progress reports published each autumn.





# **EU NEGOTIATIONS IN EIGHT POINTS**

- 1) State willing to join the European Union shall submit a request to the state currently chairing the Council of the European Union
- 2) European Commission then evaluates the state's request and submits its findings to the Council of the European Union.
- 3) If the European Commission has a positive opinion of the applicant country's status, the Council of the European Union may decide to consider the application.
- 4) If the Council gives a green light for the negotiations, the European Commission then starts a monitoring process known as screening. The resulting screening report identifies the gaps in the body of common rights and obligations binding for all EU Member States (also known as the *acquis*) that the candidate country will have to fill.
- 5) The *acquis* is divided into 33 chapters, each of which covers a specific policy area, aimed to fully prepare candidate countries for the EU membership. The chapters cover the major aspects of EU policy, such as free movement of goods, capital, and workers; economic policy, energy, transport, regional policy, foreign policy, fundamental rights, and more.
- 6) After the candidate country has reformed its national laws so that they match the *acquis*, every criterion has been fulfilled, and every chapter has been closed, the agreements reached are set out in an accession treaty, which must be signed by the candidate country and all EU Member States. The accession treaty must also win the support of the Council of the European Union, the European Commission, and the European Parliament. The candidate country then becomes an acceding country.
- 7) After the Accession Treaty has been signed, it must be ratified by the acceding country and each individual EU Member State according to their constitutional rules (i.e. parliamentary vote, referendum).
- 8) The acceding country then becomes an EU Member State on the date specified in the Accession Treaty.

## What is negotiated?

EU candidate country needs to adopt, implement and enforce all current EU rules and legislation (the “acquis”). The Community acquis is the body of common rights and obligations which bind all the Member States together in the European Union.

Corpus of these rights and obligations continuously evolves and contains the following:

- 1) Primary legislation
  - Treaties
  - General principles of law
- 2) Legislation adopted in the application of treaties and case law of the Court of Justice
- 3) International agreements concluded by EU
- 4) Secondary legislation
  - Regulations
  - Directives and recommendations
  - General and individual decisions
- 5) General principles of the administrative law
- 6) Conventions between the member states

Applicant countries are required to accept the acquis before they can join the EU i.e. to transpose the acquis into their national legislation and to implement it by the date of their accession to the EU. These rules are divided in 33 different areas of the EU's acquis, generally known as negotiating chapters.

Membership negotiations cannot start until all EU governments agree, in the form of a unanimous decision by the EU Council, on a framework or mandate for negotiations with the candidate country. Negotiations take place between ministers and ambassadors of the EU governments and the candidate country.

Negotiations within each chapter are based on the following elements:

- 1) Screening – the European Commission carries out a detailed examination, together with the candidate country, of each policy field (chapter), to determine how well the country is prepared. The findings by chapter are presented by the Commission to the Member States in the form of a screening report. The conclusion of this report is a recommendation of the Commission to either open negotiations directly or to require that certain conditions - opening benchmarks - should first be met.
- 2) Negotiating positions – before negotiations can start, the candidate country must submit its Negotiating Position and the EU must adopt a common Negotiating Position (within the Union).
- 3) For most chapters, the EU will set closing benchmarks which need to be met by the candidate country before negotiations in the policy field concerned can be closed.

Throughout the negotiations, the European Commission monitors the candidate's progress in applying EU legislation and meeting its other commitments, including any benchmark requirements. This gives the candidate states additional guidance for the membership, as well as an assurance to the current members that the candidate is meeting the conditions for joining. The Commission also keeps the EU Council and European Parliament informed throughout the process, via regular reports, strategy papers and clarifications on conditions for further progress. One of the basic rules of negotiations is that *“Nothing Is Agreed until Everything Is Agreed”*.



**MACEDONIA**  
**AND THE EUROPEAN UNION**

Macedonia is a candidate country for membership in the European Union and expects the start of accession negotiations. The following stage of the accession process is obtaining a negotiation date for membership in the Union. Negotiation process for membership in the European Union for Republic of Macedonia will mean the end of the process of approaching to the Union, adoption of its benefits and values, as well as full adaptation of the Macedonian institutions to the functioning of Union's institutions. At the same time, the negotiations will mean creation and preparation of future successful operation of Republic of Macedonia as member state of the Union.

- The EU's main document on the accession priorities of Republic of Macedonia under the **Enlargement Strategy** is the **Accession Partnership**.
- Main priorities of the Accession Partnership have been set up by the European Commission as requirement for obtaining negotiation date with the European Union. In March 2008, the Government of Republic of Macedonia adopted **Measures and activities for realisation of the main priorities of the Accession Partnership**.
- The assessment of the priority accomplishment is given in **Progress Report** published by EC annually, i.e. in November.
- Subsequently, the Council of Ministers of the EU adopts conclusions on the Report. Key decisions on the progress of the accession process are adopted by the European Council, in its December Summit (in the Presidency conclusions).
- Republic of Macedonia defines its European Agenda through **National Programme for Adoption of Acquis Communautaire (NPAAC)** and other key documents.
- For the purpose of fulfilling the part of economic criteria, Republic of Macedonia drafts **Pre-accession Economy Programme (PEP)** on annual basis.

- The Government of Republic of Macedonia regularly informs the Assembly on the accomplished relating to EU membership, through quarterly reports. Secretariat of European Affairs (SEA) prepares Monthly Progress Briefs. SEA prepares Contribution to the progress report on the process of accession of Republic of Macedonia to the EU.

## MILESTONES

- APRIL 2004 – Stabilisation and Association Agreement (SAA) entered into force
- December 2005 – received the status of candidate country for EU membership
- January 2008 – readmission agreement entered into force
- 2009 – first recommendation by EC to start the accession negotiations. The entry into force of visa liberalization.

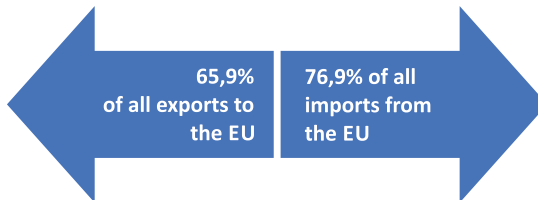
Republic of Macedonia, as a leader in the region, was the first country from the countries participating in the stabilization and association process to sign the SAA in April 2001. Stabilization and Association Agreement between Republic of Macedonia and EU entered into force in April 2004, while in March 2004, in Dublin, the Government of Republic of Macedonia submitted a request for EU membership which confirmed the continuous and clear political determination to join the Union. On this path towards EU, the European Council recognized the commitment of Republic of Macedonia and on the Summit in Brussels in December 2005 it awarded Republic of Macedonia the status of candidate country. In March 2009, with the adoption of the Resolution on the Progress Report of Republic of Macedonia in 2008 which proposes commencement of EU membership negotiations, the Commission for the first time recommended to the Council to open pre-accession negotiations with the country. The decision was adopted on the basis of the convincing progress achieved and the hard

work on the key reform priorities, known as 8+1 benchmarks, and the fulfilment of the Copenhagen political criteria in particular.

The European Parliament, on its session held in February 2010, voted in favour of the 2009 Resolution on the Progress Report, in which it urged the Council, without further delay, to endorse the recommendation at its Summit in March 2010 and to adopt a decision to start the membership negotiations, noting that the clear prospect for EU membership is the main driving force for reforms in the country, which is of exceptional importance for political stability and a common goal of political actors and ethnic groups in Republic of Macedonia.

## TRADE & INVESTMENTS

- EU is the biggest trade partner of Macedonia



## MOBILITY

- Traveling to the EU without a visa from December 2009
- 17% of the EU funding 2014-2020 is intended for transport
- Improvement of the road and rail network from 2003
- Pre-accession support has modernised parts of the Pan-European Corridor X motorway and railway corridors VII and X



## EU FUNDING

- 615 million euro for EU pre-accession funds for 2007-2013
- 664,2 million euro for EU pre-accession funds for 2014-2020
- Key investments in the railway transport infrastructure (60 million euro)

## GETTING CLOSER TO EU STANDARDS

- Establishing a rule of law and a stable democracy
- Reforming public administration
- Strengthening the competitiveness and support for SME
- Improving transport and energy connections
- Working towards cleaner environment and safer food





# **CHAPTERS**

**- 33 STEPS TOWARDS THE EU**

The EU accession process represents a process that includes adoption of the established EU legislation and preparations for appropriate implementation and implementation of the judicial, administrative, economic and other reforms necessary for the country to meet the requirements for joining the Union. Stated recommendations and commitments that Macedonia as EU candidate countries have to implement are divided into 33 chapters, each of which is the starting point for accession negotiations, that is, each of which corresponds to a specific area. Candidate countries are obliged to adjust their administrative and institutional infrastructures and to align their national legislation with the EU legislation in these areas. Different chapters are considered during monitoring and are regularly evaluated until each chapter is closed.

Chapter 1: Free movement of goods

Chapter 2: Freedom of movement for workers

Chapter 3: Right of establishment and freedom to provide services

Chapter 4: Free movement of capital

Chapter 5: Public procurement

Chapter 6: Company law

Chapter 7: Intellectual property law

Chapter 8: Competition policy

Chapter 9: Financial services

Chapter 10: Information society and media

Chapter 11: Agriculture and rural development

Chapter 12: Food safety, veterinary and phytosanitary policy

Chapter 13: Fisheries

Chapter 14: Transport policy

Chapter 15: Energy

Chapter 16: Taxation

Chapter 17: Economic and monetary policy

Chapter 18: Statistics

Chapter 19: Social policy and employment

Chapter 20: Enterprise and industrial policy

Chapter 21: Trans-European networks

Chapter 22: Regional policy and coordination of structural instruments

Chapter 23: Judiciary and fundamental rights

Chapter 24: Justice, freedom and security

Chapter 25: Science and research

Chapter 26: Education and culture

Chapter 27: Environment and climate change

Chapter 28: Consumer and health protection

Chapter 29: Customs union

Chapter 30: External relations

Chapter 31: Foreign, security and defence policy

Chapter 32: Financial control

Chapter 33: Financial and budgetary provisions

Find out more:

[http://ec.europa.eu/enlargement/index\\_en.htm](http://ec.europa.eu/enlargement/index_en.htm)



# **CHAPTER 20**

**- ENTERPRISE AND INDUSTRIAL POLICY**

EU industrial policy seeks to **promote industrial strategies enhancing competitiveness** by speeding up adjustment to structural changes, encouraging a creation of **favourable business environment** throughout the EU, increase in the domestic and foreign investments and promotion of the overall business environment in which small and medium-sized enterprises operate, and **entrepreneurship and innovation** would be encouraged. .



20

### What are the benefits for Macedonia?

- Development of the SME and industry competitiveness
- Encouraging the youth, women and social entrepreneurship
- Support for innovations

Competitiveness and SME sector development represents one of the top priorities to EU. European legislation and financial support provide the opportunity to establish competitiveness-based economy as a response to the globalization and the need of sustainable economic growth.

In these terms, SMEs represent a sort of driving force encouraging the industrial growth and economic progress. For a country as Republic of Macedonia, the steps and activities achieved and realized in this field are directly related to the development of the entire industry where the clearly defined industrial policy and development of strategic sectors together with the support-based policy of SMEs, represent an important prerequisite for development of strong market economy. Year after year, Macedonia makes a progress in the improvement of the entire business environment for SMEs by simplifying certain administrative actions, financial support, legislative alignment etc., but in the period to come there should be additional efforts and assets provided and the capacities of the different stakeholders in the process raised on a higher level if the goal is to have the overall business environment present in the developed countries of the EU.





# **CONTENTS**

**OF THE CHAPTER 20**

- 1) Principles of Enterprise and Industrial Policy
- 2) Instruments of Enterprise and Industrial Policy
- 3) Sectoral Policies

EU's *acquis* in the Enterprise and Industrial Policy chapter consists of **principles and instruments** covered in the European Council's recommendations and conclusions which are most frequently implemented in EU through the EU programmes. This negotiation chapter also contains **sectoral policies**.

EU's enterprise and industry policy is mainly driven by the Europe 2020 Strategy.

By establishing broad **political principles**, EU tends to accelerate the structural changes and to promote an environment favourable for business creation, for domestic and foreign investments, promotion of SMEs and the entrepreneurship and innovations. More specifically, EU's SME policy is characterized by recommendations and common assessment mechanisms contained in the Small Businesses Act and in the established definition for SME.

Policy **instruments** for enterprises and industrial policy were developed in the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME). This programme provides financial support to the enterprises and policy makers and is focused on actions promoting access to funds and markets, business services such as Enterprise Europe Network, European and national innovation policies for SME support. Significant instrument represents the Directive 2011/7/EU on combating late payment in commercial transactions.

Through the **sectoral policies**, EU promotes a more focused sector analysis and for certain sectors it initiates activities such as high-level groups, political forums, studies and expert panels as well as networking initiatives.

Formulation and implementation of enterprise and industrial policy requires appropriate administrative capacity at national, regional and local levels, including effective consultation processes and mechanisms for collaboration with key stakeholders such as industrial associations. како групи на високо ниво, политички форуми, студии и експертски панели, како и иницијативи за вмрежување.

## Principles of Enterprise and Industrial Policy

Economic policy of the Government of Republic of Macedonia continuously focuses on **improving the business environment** and on the conditions for doing business through the implementation of various reform activities, as well as on the support for increasing the competitiveness and innovation of the Macedonian economy. In this regard, Macedonia has achieved remarkable results, which is confirmed by the improved ranking of the country in relevant international reports such as Doing Business of the World Bank, the Global Competitiveness Report of the World Economic Forum, etc., as well as through the positive assessments in the Report on the Index of Small and Medium-sized enterprises, based on the Small Business Act.

- One of the key reforms for promoting the business climate is the reform that continues to be implemented through the **Regulatory Guillotine** and the implementation of the **Regulatory Impact Assessment (RIA)** as an integral part of the law drafting process.
- The only national Electronic Registry of Regulations, [www.ener.gov.mk](http://www.ener.gov.mk) – ENER, is continuously developed and improved, providing an opportunity for all stakeholders to submit comments and suggestions directly to the competent institutions regarding the draft regulation.
- **The dialogue with the business community** constantly continues through direct communication with chambers, clusters and other forms of associations, as well as by direct communication with the companies through the project "Learning from the Business

Community", which is delivered in five cycles, various conferences, platforms, etc. The konkurentnost.mk portal regularly notifies the business community in all activities and measures to encourage competitiveness.

- In terms of more efficient dialogue, the project that supports this publication is also being implemented - "Strengthening capacities and mechanisms for supporting the Chapter 20 reform process", supported by the European Union. The project will allow for more direct inclusion of the civil society organizations (CSOs) active in the area of Chapter 20, organizing themselves in **Chapter 20 Platform**.

**Enterprise policy** is represented through several strategic documents and action plans: Competitiveness Strategy 2016-2020, Industrial Policy 2009-2020, Strategy for the Development of Crafts 2011-2020, Innovation Strategy 2012-2020 and other related programmes. All the documents are in line with the EU 2020 Strategy, SEE 2020 Strategy, EU Small Business Act and other relevant regional initiatives.

- **Competitiveness strategy** of the Macedonian economy with the Action Plan for the period 2016-2020, adopted in January 2016, is the only strategic document for competitiveness and defines the priorities for further development of the Macedonian economy. The Action Plan through which the Strategy is implemented covers 45 priority measures worth about 131 million euro, divided into 7 areas aimed at: simpler and more stable business environment; more entrepreneurial and more productive SME sector; more dynamic export sector; more attractive environment for foreign investors; more informative and reciprocal labour force; revived industrial policy; and more finances for the entrepreneurial sector

In the first year of realization of the Strategy's Action Plan, the realization status is as follows:

- 35 measures (78%) are in the implementation phase
- 6 measures (13%) with postponed implementation
- 4 measures (9%) whose implementation is not yet

- In the second quarter of 2017, the Ministry of Economy started the implementation of the EU-funded **Project for revision of the Industrial Policy**. With this project, in addition to the preparation of new revised industrial policy, it is also planned to introduce a system for monitoring and evaluation of the industrial policy, an upgrade to the konkurentnost.mk portal as a platform for informing the business sector and supporting cluster associations through policy analysis, and introducing support of 3 clusters in the development of priority development projects.

<p>Current industrial policy:</p> <ul style="list-style-type: none"> <li>• Mixture of industrial policy and strategy</li> <li>• Horizontal by nature</li> <li>• 5 intervention areas (SMEs, clusters, internationalisation, applied R&amp;D and green products)</li> </ul>	<p>Recommendations for the revised policy:</p> <ul style="list-style-type: none"> <li>• Focusing more on a Strategy with fewer yet more effective measures</li> <li>• Focus on the manufacturing sector</li> <li>• Increased budget and <b>COORDINATION</b> at all levels:             <ul style="list-style-type: none"> <li>– Governmental and inter/intra ministerial</li> <li>– Public-private coordination</li> <li>- Donor/FI coordination</li> </ul> </li> </ul>
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- The document "**National SME Strategy (2017-2022) with Action Plan (2018-2020)**" is in finalization, comments from individual institutions and donors have been received and implemented and its adoption is planned in November 2017.
- Likewise, in final preparation phase is the "**Strategy for the Development of Women Entrepreneurship, 2017-2020**".

These documents should adopt a new system for supporting the development of the sector of enterprises which will correspond and will be based on the condition and priorities of the new Government, offering a set of measures to support the business sector, to increase the productivity,

increase investments in companies, company development, increasing exports, increasing the innovative capacity, enhancing the cooperation between the business sector and science, establishing links between foreign investors and domestic companies, introducing energy efficiency measures in companies and many others.

Key institutions in the creation and implementation of the policies for enterprises and industrial policy are the CDPMGRM (Cabinet of the Deputy Prime Minister responsible for Economic Affairs and coordination with the economic sectors), the Ministry of Economy, the Ministry of Education and Science, the Agency for Promotion of the Entrepreneurship of the Republic of Macedonia, the Agency for Foreign Investments and Export Promotion of Republic of Macedonia, the Fund for Innovation and Technological Development and several business and regional centres. Measures are implemented through programmes and projects funded by the Budget of Republic of Macedonia or IPA and donors (e.g., the World Bank project - Skills Development and Innovation Support).

## Instruments of Enterprise and Industrial Policy

In order to implement the enterprise policy offering support of growth and development there are **programmes and projects** funded by the budget and various donors, delivered by several institutions. Measures and tools for supporting the private sector are aimed at co-financing the costs for development of projects for companies, better access to finance, providing various trainings and seminars for improved skills and knowledge, as well as better information on various topics. **Програмата за конкурентност, иновации и претприемништво,**

- The Ministry of Economy continuously implements the **Competitiveness, Innovation and Entrepreneurship Programme**, which contains measures to support SMEs, implementation of industrial policy and support of clusters.

- In order to support entrepreneurship and SMEs, the Agency for Promotion of Entrepreneurship (APERM) implements the measures envisaged in its annual **Programme for Promotion of Entrepreneurship, Competitiveness and Innovation of Small and Medium-sized Enterprises**. This programme mainly includes the following activities: 1) a voucher system for subsidized counselling in support of potential entrepreneurs and existing enterprises who want to realize a business idea by providing consulting and business development services in the form of payables vouchers; 2) information and advisory services through the "Info Pull" project, which is successfully implemented in cooperation with the regional and info centres in Republic of Macedonia; 3) Preparation of an annual report on the situation with SMEs and the trends in this sector - Observatory for SMEs; 4) organization of workshops and trainings in the field of entrepreneurship intended for potential and existing entrepreneurs, as well as for advisors in the field of entrepreneurship and business (e.g. training for business plan, development of innovation and management skills, internationalization, etc.); 5) support of the development of social and women entrepreneurship.
- With the aim of increasing the influence and effects of the support to the SME sector, APERM is delivering outside of programme activities as well. In this direction is also the Agency's involvement in the Programme of the Government of Republic of Macedonia for Active Employment Policies - support for self-employment with credit and grant awarding.
- **Access to finance** – it is mainly realized through the Macedonian Bank for Development Promotion (MBDP) through a revolving fund supported by the European Investment Bank (EIB), insurance of the claims from domestic and foreign companies, and factoring, especially in relation to the export claims that are insured in MBDP in order to improve the liquidity of companies.

In addition to the programme activities of the Ministry of Economy and APERM, other programmes, projects and measures arising from various action plans are currently being implemented, through:

The Agency for Foreign Investments and Investment Attraction (AFIIA), the Ministry of Education and Science, the Directorate for Technological Industrial Development Zones (DTIDZ), the Fund for Innovation and Technological Development (FITD) and other projects implemented by the CDPMGRM, the Employment Service Agency of Republic of Macedonia (ESA) and the Government of Republic of Macedonia.

- FITD has an active role in the **support of innovative projects at SMEs through the Fund support instruments**. For implementation of the instruments for the period 2015-2019, there is EUR 9 million provided through loan from the World Bank. In addition to the financial assistance received by the beneficiaries, the Fund also started training, mentoring and consultancy according to the needs of each beneficiary in order to strengthen their capacities. A series of other activities are being implemented in order to encourage innovation and additional investment in research, development and innovation in the private sector (conferences, info-sessions, networking events between the public sector, the private sector and higher education institutions, etc.).
- Agency for Foreign Investments and Export Promotion (AFIEP) realized various programme activities for **attracting FDI and connecting foreign with domestic companies**, such as: marketing promotion of investment opportunities and conditions for doing business in the country; maintaining a network of economic promoters as part of the Macedonian embassies in seventeen countries around the world; a database of domestic companies that have the capacity to become suppliers to foreign companies.
- From the aspect of **support and promotion of the export activities**, the activities of AFIEPRM are focused on the four target sectors that mostly contribute to the increase of exports (textile industry, metal industry, precision mechanics and automotive parts, agribusiness and food industry and information and communication technology).
- Republic of Macedonia was included in CIP and FP7, and currently it is included in the new EU **COSME and Horizon 2020** programmes.



- **Enterprise Europe Network (EEN)** has its own office in Macedonia, which provides information and advisory services to local companies interested in finding a business partner in Europe and wider, who want to increase their innovative potential, to take part in EU programmes or access to sources of funding. Network services are free of charge, and more information can be found on [een.ec.europa.eu](http://een.ec.europa.eu).
- In terms of **supporting corporate social responsibility (CSR)** in the country, support for the development of a medium-term Strategy for Social Responsibility was requested. The activities in this area are mainly limited to the awarding of the Best Social Responsible Practice Award, organized by the Coordinative Body for CSR and Business Confederation of Republic of Macedonia.

Significant support for the implementation of the policy instruments for enterprise and industrial policy is expected through the IPA funds at national and regional level, as well as several regional projects defined by the SEE 2020 Strategy.

## Sectoral Policies

Main documents for the sector of **tourism** are the following:

- revised Strategy for Tourism Development with an Action Plan for Implementation in the period 2011-2015
- Strategy for the Development of Rural Tourism 2012-2017, as well as the annual programmes
- Tourism Development Programme and Programme for Promotion and Support of Tourism implemented through the Ministry of Economy and the **Agency for Promotion and Support of Tourism (APST)** through which the measures and instruments provided in the strategic documents and related action plans are delivered.

The Programme of the Ministry of Economy supports the international and bilateral cooperation with important tourist organizations and institutions, in particular with the World Tourism Organization, the European Committee for Tourism, the European Travel Commission, CEI and others., as well as training of human resources in the tourism and catering sector and implementation of some projects, especially in the field of rural tourism, support of various tourist manifestations, projects and business forums, placement of tourist signalization on more significant objects and cultural landmarks, etc.

In addition, the Ministry of Information Society has developed the **National Short-term Strategy for the Development of the ICT Sector 2016-2017**.

# **CHAPTER 20**

**- INSTITUTIONAL FRAMEWORK**

The number of entities active in the enterprise and industrial policy sector is large and is comprised of numerous ministries, agencies, independent public bodies, units of the local self-government, public-private partnerships, therefore the institutional framework is fairly complexed. The CDPMGRM (The Cabinet of the Deputy Prime Minister, in charge of Economic Affairs and Coordination with the Economy Sectors) and the Ministry of Economy have the central coordinative role.

- **The Cabinet of the Deputy Prime Minister, in charge of Economic Affairs and coordination with the Economy Sectors (CDPMGRM)** is in charge of strategic coordination of all economic sectors and institutions of the Government, with a special focus on the economy policies for growth, improvement of the business environment and regional development. CDPMGRM is responsible for the Competitiveness Strategy.
- **The Ministry of Economy** is a key ministry involved in the making of the economic policy. Some of the key strategy documents that are developed and managed by the Ministry of Economy for enhancing the competitiveness are the following: industrial policy, SME strategy, strategy for export promotion, investment promotion programme, social responsibility strategy, energy efficiency strategy, and sector-oriented documents (strategy for development of the textile industry, action plan for development of the steel industry, strategy for development of the tourism, and a cluster development programme). Furthermore, the Ministry of Economy was a contact person for the CIP European Programme, and now it is a contact person for COSME.
- **The Ministry of Education and Science** is in charge of all areas of formal education and training in the country, but also for the science and innovation sectors. The Ministry was the contact point for FP7, and now it is for Horizon 2020. With the Law on Innovation Activity, from 2013 the Ministry is responsible for implementing

the Innovation Strategy and its related areas.

- **Fund for Innovations and Technology Development (FITD)** is a new institution with a mandate to support the implementation of the Innovation Strategy. FITD was established in December 2013 in accordance with the Law on Innovation Activity, and with the purpose to: i) to support the development of SMEs through commercialization of innovations; ii) to strengthen investments in the areas of research and development; and iii) to stimulate the transfer to new technologies. The fund provides support through different financial instruments (grants, conditioned loans and equity investments), but it also provides technical support for strengthening the capacities of enterprises for using the regional and European funds. FITD's operational costs are covered by the state budget, while the resources for the financial instruments are provided with a loan from World Bank (for the SKILLS project) in the amount of EUR 9 million for the period of implementation 2015-2019 and 1% from IPARD.
- **The Ministry of Finance** has a leading responsibility for all affairs related to taxation and financial policy, fiscal discipline, late payment handling.
- An improved access to finances is achieved through the **Macedonian Bank for Reconstruction and Development** as the only state-owned bank in charge of managing state and donor funds and bringing them closer to enterprises through the banking system.

## Business Support Agencies

**The Agency for Promotion of Entrepreneurship of Republic of Macedonia (APERM)** is a state-owned agency established in 2003. The mission of APERM is promoting entrepreneurship and small businesses through implementing priority projects reflecting the intervention areas in SMEs managed according to the demand and the government programmes

entrepreneurship support and increasing the competitiveness of SMEs. The basic responsibilities of APERM are as follows:

- Creation and development of the institutional infrastructure for entrepreneurship support and development and competitiveness in the SME sector;
- Implementing and coordinating the national and international support of SMEs;
- Entrepreneurship improvement through financial and non-financial types of support measures; and
- Implementation of measure and activity programmes for support of entrepreneurship and creating competitiveness in small businesses.

Key national agencies for attracting and supporting foreign investments are the **Agency for Foreign Investments and Export Promotion (AFIEP)** and the Directorate for Technological Industrial Development Zones (DTIDZ) responsible for the free economic zones. In addition, the government is nominating four ministers without a portfolio responsible for attracting foreign investments as well as a network of 30 promoters abroad. AFIEP is established in 2004 with the sole purpose of attracting FDI, and in 2010 the export promotion was added to its mandate. At the moment, the Agency is in charge of providing Greenfield investment benefits, informative services to exporters and other activities for export support, including participation in international fairs, foreign market research, exchange of trade information etc.

**The Agency for Promotion and Support of Tourism in Republic of Macedonia** is a governmental institution established in 2008 and has since then been active in the following two areas:

- 1) Promotion of Macedonia as an attractive tourist destination through the preparation of promotion materials, participation in international fairs for tourism, organization of info tours for touristic operators and foreign journalists, promotion through various media;
- 2) Support to every aspect of the tourism development, from rural, ecclesiastic, to active tourism, support to tourist zone development, providing subsidies for local and international tour operators for the foreign tourists.

## Civil society and Chapter 20

Government's organizations through the public-private dialogue, are cooperating with numerous other organizations, Chapter 20 relevant, such as the chambers of commerce (e.g. Economic Chamber of Macedonia, Macedonian Chambers of Commerce, Economic Chamber of North-western Macedonia, Craftsman Chamber of Macedonia, Chamber of Tourism), labour organizations, organizations of employers, business associations, regional business centres and incubators, business start-up and planning centres, and other civil society organizations relevant to the aforementioned reform area.

**Chapter 20 CSOs** are included in supporting:

- RIA and PVR processes
- SME and entrepreneurship (including women and social entrepreneurship)
- Start-ups and innovative businesses (technology parks, business incubators, funds, accelerators, etc.)
- Crafts
- Sector policies like tourism (including associations, clusters, chambers and similar)
- Foreign investments (involving foreign and bilateral chambers for instance)

All actors including CSOs need to work closer during both policy formulation and implementation in order to deal more effectively with the challenges faced by the Macedonian economy: improving competitiveness, increasing productive investment, diversifying exports, creating conditions for sustainable economic growth and EU convergence, strengthening the business framework (legal and institutional), including by implementing EU single market law. CSOs in Macedonia do recognise this need to engage with policy processes more effectively.







# **CHAPTER 20**

# **-PRIORITIES**

## Findings and Priorities of the EC Report 2016

The country is **moderately prepared** in this area. **Some progress** has been made with the introduction of a new Competitiveness Strategy and a couple of law changes. In the following year, the country should:

- continue to adjust the legal framework and to develop measures for facilitating the SME's access to finances;
- to adopt a strategy for promotion of women entrepreneurship, a strategy for small and medium enterprises, and a strategy for tourism.

The enterprise policy in the country is realized through: improving the business environment and the dialogue with the business community for creating and doing business, removing the administrative barriers with further implementation on the regulative guillotine and RIA, conducting policies and programme activities for creating and encouraging a competitive economy based on knowledge, innovations, attracting foreign investments, entrepreneurship development, clustering and export orientation. From the aspect of a better access to finances, very important are the activities of the Macedonian Bank for Development Promotion (MBDP), the instruments of the Fund for Innovation and Technology Development, the opportunities offered with the Programmes of the Community, COSME and HORIZON 2020, the regional "Platform for Development of Enterprises and Innovations for Western Balkans" project and many other projects.

	Short-Term Priorities	Medium-Term Priorities
PRINCIPLES	<ul style="list-style-type: none"> <li>• Further implementation of the adopted strategic documents</li> <li>• Adopting new strategies for SMEs and women entrepreneurship</li> <li>• Providing better access to finances by expanding the measures of MBDP, drafting a legal regulation for business angels and development of the concept for financing through business angels.</li> <li>• Utilizing and expanding the opportunities that FITD offers</li> <li>• Utilizing the EU programmes as well as the Regional Innovations Fund (ENIF)</li> <li>• Implementation of the tourism improving measures</li> <li>• Monitoring the rankings of the country in the international reports</li> </ul>	<ul style="list-style-type: none"> <li>• Further improvement of the business environment, continuing the dialogue with the business community, development and implementation of strategic development documents for stimulating competitiveness and implementation of the structural reforms, as well as efficient use of IPA funds.</li> <li>• Continuing the active participation in the regional initiatives that emerge from the implementation of the SEE 2020 Strategy</li> <li>• Developing the institutional capacity for creating, implementing, monitoring and evaluating the enterprise policies and the industrial policy.</li> </ul>
INSTRUMENTS	<ul style="list-style-type: none"> <li>• Implementation of the annual programme activities</li> <li>• Co-financing costs of companies for product development, market development, introducing standards, development of SME infrastructure, female entrepreneurship and Craftsman promotion and development</li> <li>• Trainings for improving the SMEs' competitiveness, the local consultants, social responsibility and promotion of social entrepreneurship</li> <li>• Workshops for promotion of entrepreneurial education</li> <li>• Financing innovative projects through FITD, considering opportunities for introducing new instruments</li> <li>• Fulfilling the obligations for membership in the COSME programme, promotion of the financing opportunities of the same</li> <li>• Regular use of the konkurentnost.mk portal</li> <li>• Financing for the creation of a medium-term strategy for social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous implementation of the strategic documents on competitiveness, industrial policy and SME development and efficient use of IPA funds</li> <li>• Better use of the COSME programme, intensive promotion of the same to the financial institutions and banks</li> <li>• Increasing the flow of FDI through the combined efforts of AFIEP and the partner institutions for marketing promotion and service provision</li> <li>• In order to further promote innovations, aside from FITD, the National Office for Technology Transfer is expected to start functioning</li> <li>• FITD will promote working in business-technology accelerators, and it is planned to establish a Fund for Equity and Mezzanine Investment.</li> <li>• With a project promoted from IPA there will be introduced an infrastructure for initiating business accelerators within the universities</li> </ul>
SECTORAL POLICIES	<ul style="list-style-type: none"> <li>• Adopting the National Tourism Strategy, further implementation of the measures that are estimated in the Programme for Tourism Development and the Programme for Promotion and Support of Tourism</li> <li>• Implementation of the IPA Project for Local and Regional Competitiveness in the Tourism Area.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous implementation of strategic documents and projects for tourism development in Republic of Macedonia</li> <li>• Implementation of the regional sectoral initiatives</li> <li>• Improving the capacities for creating, implementing and monitoring the tourism programmes</li> </ul>

<b>Matrix of Objectives and Activities – ENTERPRISE AND INDUSTRIAL POLICY</b>			
<b>Principles of Enterprise and Industrial Policy</b>			
<b>Objective/Activity</b>	<b>Responsible Institution</b>	<b>Start</b>	<b>End</b>
<b>Improving the business environment</b>			
Improving the business environment by implementing the Regulative Guillotine and evaluation of the –RIA influence	Ministry of Information Society and Administration	01.01.2017	31.12.2017
<b>Instruments of Enterprise and Industrial Policy</b>			
<b>Improving the competitiveness, innovation, and entrepreneurship of Macedonian companies</b>			
Implementation of the Innovation Strategy 2012-2020	Ministry of Education and Science (+CDPMGRM, FITD)	01.01.2017	31.12.2017
Implementation of the Industrial Policy 2009-2020	Ministry of Economy (Sector for Industrial Policy)	01.01.2017	31.12.2017
Implementation of the Strategy for the Development of Crafts 2011-2020	Ministry of Economy (Sector for Entrepreneurship and Competitiveness of SMEs)	01.01.2017	31.12.2017
Implementation of the Programme for Competitiveness, Innovation and Entrepreneurship 2017	Ministry of Economy (Sector for Entrepreneurship and Competitiveness of SMEs)	01.01.2017	31.12.2017
Implementation of the Programme for Competitiveness, Innovation and Entrepreneurship of SME	Agency for Promotion of Entrepreneurship of Republic of Macedonia	01.01.2017	31.12.2017
Implementation of the Fund's instruments and conducting the activities of the Innovation Strategy of Republic of Macedonia 2012-2020 under the authority of the Fund	FITD	01.01.2017	31.12.2017
Strengthening the capacities of the private sector in the area of innovations and technology development through info events and trainings	FITD	01.01.2017	31.12.2017
<b>To improve SMEs' access to financial services</b>			
Improving the SMEs' access to finances through realization of the fourth stage of the EIB's credit line	MBDP	01.01.2017	31.12.2017
Development of a concept for introducing a legal framework of an informal risk capital – adopting a special law on business angels	CDPMGRM	01.01.2017	31.12.2017
Participation in the Regional Financial Instrument EDIF	CDPMGRM	01.01.2017	31.12.2017
Facilitating the access to finance for innovation activity and technology transfer through the provision of co-financed grants and conditioned loans under the instruments of FITD	FITD	01.01.2017	31.12.2017
<b>Sectoral Policies</b>			
<b>Increasing Macedonia's appeal as a tourist destination</b>			
Conducting the Programme for Tourism Development for 2017	Ministry of Economy (Sector for Tourism and catering)	01.01.2017	31.12.2017
Conducting the Programme for Promotion and Support of Tourism for 2017	Agency for Promotion and Support of Tourism (APST)	01.01.2017	31.12.2017
Implementation of the IPA Project for Local and Regional Competitiveness in the Tourism Area.	CDPMGRM (+APST, Ministry of Economy)	01.01.2017	31.12.2018



**OBSERVATIONS**

Development of the competitiveness and SME sector is one of the main priorities of the EU. The European legislation and financial support provide an opportunity for establishing economy that is based on competitiveness in line with the global changes and the need for sustainable economic development. In that regard, SMEs represent a sort of a driving force that fosters industrial growth and economic progress.

Republic of Macedonia accepts the **EU's acquis** in the area of enterprise and industry policy and from that aspect no particular difficulties are expected in the implementation of acquis in the accession (Late Payment Directive and full compliance with Art. 4, as well as definition for SMEs). More than 20 relevant laws for doing business were amended. In that regard, a new law for performing craftsman activity was adopted. Also, the penalties for misdemeanour by companies were reduced taking into account the size of the company. The Law on Financial Discipline was amended with the purpose of addressing the identified shortcomings in the implementation, however companies are still facing difficulties in implementing the contracts, especially in regards to the unpaid receivables. Several amendments and supplements on the Law for Technological Industrial Development Zones have additionally enhanced the attractiveness of these zones. However, there is concern whether the tax regime for these zones is in line with the EU Code of Conduct on Business Taxation and Customs Code.

Formulation and implementation of the enterprise and industry policy require appropriate administrative capacity at national, regional and local level, including an effective consultation process and cooperation mechanisms. The challenge is the lack of **defined structure for all strategies** and an effective and functional strategic planning system. Work should be done on establishing a coherent and functional system of strategic documents. Consequently, there is inconsistency in the strategic base, overlap or gaps.

**The Fund for Innovations and Technology Development** is a key institution for support of innovations in the business community. FITD is bound by ambitious plans, introducing new instruments and new areas of action. Therefore, it is necessary to continue supporting this institution. Apart from the financial support, it is necessary to work continuously on raising the awareness and capacities of the business community to enable appropriate use of the Fund.

The EC Reports for the country's progress several years in a row clearly outline the significant role of the **Agency for Promotion of Entrepreneurship (APERM)** when it comes to development of the SME sector, but it also continuously points to insufficient (financial) resources for achieving an appropriate effect of their programme activities. At the same time, APERM should be more involved in the government's strategies, especially in the SME strategy.

**The ENER system** has great potential for consultations and business dialogue in the process of adopting the legislation. But, it should be further improved and promoted, by providing some of the additional instruments for inclusion of the relevant stakeholders.

**EU's financial instruments** for business development under the initiatives—COSME and EDIF are not sufficiently utilized. Apart from putting efforts for their promotion, it is necessary to continue the process of building capacities for preparation and implementation of relevant projects.

For a country such as Republic of Macedonia, the steps and activities that are accomplished and realized in this area are in a direct relation to the development of the entire industry, where the clearly defined industrial policy and the development of strategic sectors, together with the policy based on SME support is an important precondition for development of a strong market economy.

## About the Project and the Chapter 20 Platform

The project “Strengthening capacities and mechanisms for supporting the chapter 20 reform process (YESNetwork+)” aims to accomplish coordination between the civil society organizations in the reform process for Chapter 20, to strengthen the capacities of the civil society organizations for creating policies, networking and monitoring the policies for Chapter 20, to improve coordination and transfer of knowledge between the civil society organizations and the other relevant stakeholders and to raise the awareness about the importance of Chapter 20 for the entire country's progress towards EU.

The creation of this publication emerges from the need to introduce and raise the awareness for the importance and the Chapter 20's structure that will provide appropriate inclusion of the relevant stakeholders in the reform process. At the same time, an overview is given on the political and institutional framework whose understanding and coordination is of great importance for successful realization of the projects and activities in the SME sector and the industry.



## What is “Chapter 20” Platform?

The platform “Chapter 20” is the first and the only national platform for Enterprise and Industrial Policy, formed through the project “Strengthening capacities and mechanisms for supporting the Chapter 20 reform process”. The platform composed of civil society organizations that act in the areas of Chapter 20 aims to actively enter the reform process as an important stakeholder in the public-private dialogue.

The platform is going to operate according to an annual Action Plan for Work that describes the objectives, the activities and the responsible organizations.

The platform is going to create its own **resource centre** with relevant materials for monitoring the reform priorities of Chapter 20, with publicly available resources, that will support transfer of knowledge and coordination between the civil society organizations and the other relevant stakeholders on national level.

The platform will continue to actively work on strengthening the capacities of the civil society organizations for creating policies and networking, it is going to organize numerous trainings, webinars, experts' meetings, international forums for good practice, as well as various activities for dissemination and raising awareness on the importance of Chapter 20 in the process of EU accession.

**Project:**  
"Strengthening capacities and mechanisms  
for supporting Chapter 20 reform processes"

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**The project is implemented by:**



**Youth Entrepreneurial  
Service Foundation**



**Foundation for Management  
and Industrial Research**



**Association for  
rural development "Javor"**

**The project is funded by the European Union.**

The publication has been produced with the assistance of the European Union. The contents of this publication are the sole responsibility of Foundation for Management and Industrial Research and can in no way be taken to reflect the views of the European Union.