

MACEDONIAN CENTRE FOR EUROPEAN TRAINING



MCET

FEBRUARY, 2012

POLICY STUDY

DETOUR: EUROPE VIA COMMUNITY PROGRAMMES

**Research on the use of
Community Programmes in Macedonia**

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Executive Summary

In the process of society's "Europeization", in addition to the well-known Instrument for Pre-Accession Assistance (IPA), from 2007 onwards Macedonia disposes with and can benefit from funds made available under the Community Programmes. Community Programmes are instruments used to create "European added value", particularly in areas that require deeper integration (scientific and research activities, innovations, education, culture, industrial policy, social policy, etc.). In broader terms, these programmes are the mechanisms used to deliver the **Lisbon Agenda**, i.e., the strategy **Europe 2020**. The present research study targets five Community Programmes, those being: 1. *Culture*; 2. *Europe for citizens*; 3. *PROGRESS*; 4. *FP7*; and 5) *CIP*.

Except for scarce official information, there are no studies in Macedonia that have researched the utilization of these programs and their effects on the accession process. Hence, in addition to mapping the general state-of-affairs under individual programmes and analyses of programme beneficiaries' profiles, types of projects they participate in, and relevant project experiences, data obtained as part of this research will be analysed in a broader context, i.e., it will be reconsidered in relation to national policies' alignment with the EU policies.

Research showed that in terms of scope and number of approved projects, Macedonia's participation in Community Programmes can be assessed as successful, which is primarily due to the fact that beneficiaries are well-networked organizations with profiled strategies and previous experiences in implementing EU projects. Indicative is the fact that many projects originate from individual beneficiaries' needs that have not been appropriately addressed and incorporated in national sector-based policies. The analysis identified absence of national developmental strategy and relevant sectoral policies, which is a systematic obstacle for better and more effective absorption of EU funds. This is reflected in the absence of adequate national financial instruments needed to support analysis-targeted policies. For illustration, most beneficiaries consider EU funds as an opportunity to implement their own ideas that would have otherwise remained unrealized, which is contrary to the purpose of Community Programmes, i.e., to complement the national policies.

For the purpose of effective utilization of funds made available, Macedonia must follow the examples set by its neighbours (Serbia 2020), and, in a broad consultation process, it must define its development strategy in compliance with Europe 2020. This process should be complemented with sector-specific developmental policies and relevant national financial instruments that would make due consideration of Community Programmes, and in particular of IPA, as complementary instruments to attain the goals and objectives defined therein. The state should reconsider establishment of an earmarked fund that would be used to finance projects and that could be sustained from additional taxes levied to lottery games. In general, participation of Macedonian organizations in Community Programmes should be considered an exercise for utilizing the "big money" from the Structural Funds.

Why Community Programmes¹?

The array of instruments used by the European Union (hereinafter: EU) to deliver the Lisbon Agenda² include the so-called Community Programmes. They provide a special source of funding intended to support various projects implemented by beneficiaries from EU Member States and aimed to contribute to further deepening of European integrations in given areas, which – in the course of time – can be transformed into common policies. Due to these reasons, Community Programmes are usually focused in areas where Member States are most protective of their competences and refrain from transferring them to EU level, in particular because they concern quite sensitive policies (education, culture, media, human rights, etc.), or in areas where the integration process does not suffice and could be improved (customs, taxation, social protection, anti-discrimination and others) or they target new areas conducive to development of common policies and whose results trigger relevant policy-making processes (energy, European citizenship, active citizenship, etc.). However, all Member States understand that mutual cooperation is both needed and important, especially in these areas and thus, every seven years, they request the European Commission to develop and implement such programmes and integrate them in the new financial perspective.

Following the broad consultation process, the European Commission already drafted the programmes for the next Multiannual Financial Framework (MFF) 2014-2020³. As regards Community Programmes, the most important novelty introduced is the greater commitment to realize goals and objectives defined in Europe 2020.⁴

Europe 2020 (June, 2010) is the EU' main strategic development document, which defines the key strategic priorities by 2020. Europe 2020's main goal is to achieve smart, inclusive and sustainable growth, which is transformed into seven sector-based flagship initiatives and policies. Monitoring and measuring progress achieved will be pursued by means of five groups of indicators defined in the field of education, research and development, climate change and energy, employment, and poverty reduction. Funds from EU's budget from the next financial framework 2014-2020 will be – in most part – allocated to achieve the strategic goals defined in Europe 2020. This also concerns the newly integrated EU Programmes for the period 2014-2020, whose development is underway.

¹ When the Lisbon Treaty entered into effect, Community Programmes were renamed into EU Programmes.

² The Lisbon Agenda or Lisbon Strategy was EU's developmental strategy which anticipated attainment of specific goals by 2010. Lisbon Agenda's strategic goal is to make EU "the most dynamic and competitive knowledge-based economy in the world, capable of sustainable economic growth, with more and better jobs and greater social cohesion (Lisbon European Council, 2000). Following its completion, it was replaced by a new strategy – Europe 2020, which sets forth EU's strategic priorities for the next decade. Smart (knowledge and innovations-based economy), sustainable (resource efficient, greener and more competitive economy) and inclusive (high employment economy delivering economic, social and territorial cohesion) growth (European Commission, 2010). Correspondingly, Community Programmes will continue to be an instrument that supports the new strategy and its goals.

³ Multiannual Financial Framework is the budgeting framework of the European Union for a seven-year period, for more information visit: <http://ec.europa.eu/budget/reform/>.

⁴ Under the new Financial Framework, the new programme *Horizon 2020* will replace FP7 and CIP, and will be considered a new financial instrument to implement Europe 2020's flagship initiative "Innovation Union". *Horizon 2020*'s budget will amount to 80 billion EUR for the seven-year financial framework. *Horizon 2020*

These developments affect also Macedonian actors, in particular policy-makers, as well as individual beneficiaries, which should together engage in the drafting process and lobby with the EU.⁵

Given that these programmes are financed from EU's budget and the budget is supported by citizens from Member States, only EU citizens are entitled to benefit therefrom. Nevertheless, the Enlargement Policy implies that, in due time, candidate-countries, including Macedonia, will become EU Member States and therefore it is deemed useful for citizens from these countries to participate in Community Programmes as well, notably because such participation will enable them to join networks established at EU level, and develop new networks that would facilitate initiation of joint projects.

To provide equal footing for candidate-countries' participation, the European Commission requires them to make a financial contribution from the national budgets, set in proportion to the specific programme. Terms and conditions, rules and procedures governing Community Programme participation are regulated by means of Memorandum of Understanding and stipulate same rules on financial control and audit as those applied in Member States. This financial participation is referred to as "entry ticket", the amount of which is set in the Memorandum of Understanding signed for individual programmes, separately. In cases when the country does not utilize the amount paid as entry ticket, funds cannot be refunded. This is why countries, including the Republic of Macedonia, prior to selecting programmes for participation should thoroughly reconsider organizations that hold relevant capacity to absorb funds available (at least those paid by Macedonia from the state budget), rather than to pursue participation in programmes deemed most attractive. The European Commission is aware of the fact that countries such as Macedonia dispose with limited funds and therefore, in the initial stage, it allows the candidate-country to use IPA funds to co-finance entry tickets. Such co-financing should gradually decrease over the several-year programming period.

How are Community Programmes implemented?

Most Community Programmes are implemented centrally (in Brussels), by the European Commission, i.e., the competent Directorates General (DG). Due to the complexity, specificity, but also scope of individual programmes, the European Commission established several executive agencies to assist in managing individual (sub)programmes. Executive Agencies organize and implement open calls for proposals, bid evaluation and selection, and monitor projects' implementation. The Education, Audiovisual and Cultural Executive Agency (hereinafter: EACEA) is responsible for *Culture* and *Europe for citizens* programmes.⁶ The Executive Agency for Competitiveness and Innovation (hereinafter: EACI)

will focus on bridging the gap between research and the market, by commercializing innovations. For more information, visit: http://ec.europa.eu/research/horizon2020/index_en.cfm?pg=h2020).

⁵ Based on broad national consultation process, the Republic of Serbia drafted and developed its comments for *Horizon 2020* (Government of the Republic of Serbia, 2011).

⁶ EACEA is fully responsible for *MEDIA* programme, as well as *Life Long Learning* and *Youth in Action* which are implemented as decentralized actions. For more information, visit: http://eacea.ec.europa.eu/index_en.php.

is competent to manage certain specific programmes and actions defined under *Competitiveness and Innovation Programme (CIP)*.⁷ Other bodies and institutions with relevant competences in implementing various Community Programmes include: 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).

Due to programmes' features and complex institutional and management structures, all participating states are obliged to appoint (national) contact points. These contact points operate as programme coordinators and are responsible for promotion, transfer and distribution of information to the broad public, and in particular to potential beneficiaries. Moreover, they facilitate networking and partner-finding in other participating countries, and take part in meetings and working sessions of standing committees responsible to manage individual programmes.

Macedonia's Participation in Community 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 2007-2013)*; 3. *Europe for Citizens 2007-2013*; 4. *PROGRESS 2007-2013*; 5. *Culture 2007-2013*; 6. *MEDIA 2007*; 7. *Life Long Learning 2007-2013*; 8. *Youth in Action*; and 9. *LIFE +*. Moreover, in 2007 and 2008, the Government decided to join additional five Community Programmes: 1. *Fiscalis 2007*; 2. *Customs 2007*; 3. *Prevention and Fight against Corruption*; 4. *Health*; and 5. *Civil Protection Financial Mechanism*.

Macedonia negotiated and signed corresponding Memoranda of Understanding and paid the required entry tickets for the following programmes: *Seventh Framework Program for Research and Technology Development (FP7)* (FP6 in the previous financial framework); *PROGRESS*; *Competitiveness and Innovation Programme* (but only for the first subprogramme: *Entrepreneurship and Innovation Programme*); *Culture*; and *Europe for Citizens*. These five programmes are open for a broad spectrum of potential beneficiaries: local authorities, media, education institutions, research organizations, civil society organizations and NGOs, business sector (in particular, SMEs), but also for citizens organized in informal groups. Because of their potential to contribute to "Europeization" of various sectors in the Macedonian society (and not only of state institutions⁸), this research will focus on these five programmes.

This research study is focused on five Programmes, those being:

1. Culture
2. Europe for citizens
3. PROGRESS
4. FP7

⁷ EACI is competent for some programmes under CIP Component I: *Entrepreneurship and Innovations* (eco-innovations) and *Intelligent Energy Europe*. For more information, visit: <http://ec.europa.eu/eaci/>.

⁸ *Fiscalis* and *Customs* are programmes exclusively intended for state institutions and bodies.

Although planned for participation as early as 2008 and following the initial accreditation process for the National Agency for European Educational Programmes and Mobility (hereinafter: National Agency) and implementation of pilot projects, *Youth in Action* and *Life Long Learning (LLL)* programmes were suspended by the European Commission for a period longer than 20 months. Reason thereof was the unprofessional behaviour on the part of the National Agency (conflict of interests in the grant-awarding procedure). According to information from the National Agency⁹, the European Commission (DG for Education and Culture) has lifted the suspension and likely is that from January 2012 the National Agency will start the accreditation process anew. This means that a period of time will pass before the National Agency is fully accredited¹⁰.

The European Commission has also blocked Macedonia's participation in *MEDIA 2007*¹¹ on the account of non-aligned national legislation¹². This programme can be re-activated only after the national legislation is aligned with the new Directive¹³ adopted in this field¹⁴. Although this information dates from 2009, the situation has not changed and uncertain is whether Macedonia will be able to join *MEDIA 2007* by the end of the current financial framework.

Initially the Government expressed interest to participate in *LIFE+* and forwarded a letter of interest to DG Environment; however, later it adopted a decision on reconsidering its interest for participation. According to governmental documents that were made available to the research team, this "reconsideration" is due to the fact that the programme's entry ticket was "too expensive". Hence, the accession process in *LIFE+* programme was discontinued. On this account, the state is prevented to benefit from EU funds, assistance, expertise and best practices for preserving biodiversity in Macedonia.

Negotiations for *Fiscalis*¹⁵ and *Customs*¹⁶ were completed and corresponding Memoranda of Understanding were signed in 2009. The Ministry of Finance (i.e., the Public Revenue

⁹ Information available on the National Agency's website: <http://na.org.mk/>.

¹⁰ Full accreditation of the National Agency implies the right to decentralized project and fund management under these two EU Education Programmes.

¹¹ For more information on *MEDIA* programme, visit: http://ec.europa.eu/culture/media/index_en.htm.

¹² EU acquis in this field aims to regulate the common market for audiovisual services, regardless of the technology applied (TV, Internet, mobile telephones and devices) for service provision, notably by defining joint rules. 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, which is guided by the principle on guaranteeing pluralism and meeting democratic, social, cultural and other needs of all societal groups.

¹³ For more information on the Audio Visual Media Services Directive, visit: http://ec.europa.eu/avpolicy/reg/tvwf/index_en.htm.

¹⁴ 2010 Progress Report for the Republic of Macedonia, pg. 35.

¹⁵ For more information on the programme, visit: http://ec.europa.eu/taxation_customs/taxation/tax_cooperation/fiscalis_programme/index_en.htm

¹⁶ For more information on the programme, visit: http://ec.europa.eu/taxation_customs/customs/cooperation_programmes/customs2013/index_en.htm

Office¹⁷) and the Customs Administration¹⁸ are now actively participating in these Community Programmes. Negotiations for the *Civil Protection Financial Instrument* were completed in 2009, whereas the participation in *Health*¹⁹ was delayed due to unknown reasons. As for *Prevention and Fight against Crime*²⁰, the Government has been informed that full participation therein is possible only for EU Member States.

According to IPA Implementing Regulation, funds allocated under IPA Component I can be programmed with a view to build and enhance national capacity for utilization of Community Programmes not only for the benefit of line ministries and other state institutions, but also for other in-country beneficiaries, such as NGOs, local authorities, universities, schools, research centres and institutes and other actors and interested groups/citizens.

Why the need to research Macedonia's participation in the Community Programmes?

Only sources of information for Macedonia's participation in Community Programmes are the bodies responsible for their implementation (European Commission and Government). Data contained in Progress Reports and National Programmes on Adoption of the EU Acquis primarily concern justification/rationale for Western Balkans' participation in Community Programmes (which is important for the EC), as well as whether funds paid as entry tickets have been utilized by in-country beneficiaries (which is important for the Government). To date, there are no studies in Macedonia that research actual benefits of these instruments, let alone the effects of Community Programmes on in-country beneficiaries. Hence, central place in this research is given to the issue on enhancing and sharing experiences with other national organizations that can be potential beneficiaries of Community Programmes.

National institutions' commitment to promote and participate in Community Programmes, as well as their interest and motivation, are variable. Some are less, and others are more successful in disseminating information on individual programmes and consequently the utilization thereof, which is most probably closely related to individual capacity, ambition and dedication of relevant contact points²¹. Therefore, the present research makes due consideration of experiences of persons responsible to promote these programmes.

Both, the European Commission²² and the Government, did not research interested entities, successful and failed programme beneficiaries, in order to define the effects of Macedonia's

¹⁷ For more information on Macedonia's participation in *Fiscalis*, visit: http://www.ujp.gov.mk/mk/megjunarodna_sorabotka/category/646

¹⁸ For more information on Macedonia's participation in *Customs 2013*, visit: <http://carina.mk/DesktopDefault.aspx?tabindex=0&tabid=47&search=customs%202013>

¹⁹ The Executive Agency for Health and Consumers (EAHC) is competent to implement the *Health Programme*. For more information, visit: <http://ec.europa.eu/eahc/health/index.html>

²⁰ For more information on this programme, visit: http://ec.europa.eu/home-affairs/funding/isec/funding_isec_en.htm

²¹ Most obvious argument in support of this claim is the fact that some line ministries have not designed separate websites dedicated to programmes that fall under their competences. Moreover, delay was noted in regard to translation of some programmes (*Europe for Citizens*). Finally, visibility of some programmes was deemed inappropriate due to lack of promotion materials and failure to organize Info Days (*PROGRESS*).

²² Different European institutions competent for programme implementation regularly perform monitoring, evaluation and assessment of progress achieved under all programmes they are competent for (annual, mid-term and final reports). These reports serve the purpose of assessing programme's implementation and provide basis

participation in these instruments. Due to lack of information, unknown remains how has Macedonia's participation in Community Programmes contributed to society's "Europeization". Thus, this research focuses also on determining how and to what degree has participation in Community Programmes helped beneficiary organizations, with the ultimate goal to develop recommendations for competent national bodies to enhance absorption capacities of future beneficiaries.

Research Methodology

The methodology applied under the present research aims to collect data required for developing evidence-based recommendations on improving participation in Community Programmes of Macedonian organizations and accelerate Macedonia's Europeization. Data needed for the present research were collected by means of several instruments.

Initially, information was collected by means of desk-research and was related to projects where beneficiaries from Macedonia participate and resulted in a list of beneficiaries and list of contact points for all programmes targeted. Furthermore, analysis was made of key strategic documents related to the European integration process: 2011 Progress Report, the Accession Partnership, NPAA, memoranda signed for individual Community Programmes, IPA Component I project files²³, various strategic governmental documents (strategies, programmes, action plans) and websites of the European Commission, the Secretariat for European Affairs (SEA), EC Delegation in Macedonia, etc. Secondary literature was also used, such as reports developed by relevant international institutions, analyses and evaluations of European policies developed by renowned think-tank organizations and comparative analyses on utilization of Structural Funds.

Moreover, Freedom of Information (FOI) applications were addressed to competent bodies, whereby information was requested and obtained in regard to Macedonia's status under individual programmes, with a special focus on the payment of entry tickets.

In addition, two questionnaires were developed and targeted Community Programmes' beneficiaries and contact points. Questionnaires were developed pursuant to the methodology used in similar research activities taken in other European countries and aimed to measure interviewees' perception on four aspects of the general absorption capacity, those being:

1. Actual absorption capacity (projects' effect on attainment of policy goals, capacity to identify, organize and implement projects);

for further improvement (aggregate level), however, they do not address effects of specific projects on beneficiaries from participating states (micro level).

²³ IPA Component I includes projects on transition and institution-building, and is abbreviated as IPA TAIB (Transition Assistance and Institution Building). These are projects that will assist national institutions to build their capacities to the level necessary for implementation of European standards and norms, and for absorption of European funds. In other words, the assistance provided through IPA Component I aims to facilitate Macedonia's "transition" from candidate-country to Member State, and make it independent and equal participant with other Member States in the development and implementation of all EU policies.

2. Financial capacity (beneficiaries' ability for project co-funding, availability of public and private external co-funding sources);
3. Programme-project absorption capacity (appropriateness of beneficiaries' strategies to actual needs, ability to prepare programme and project documents); and
4. Administrative absorption capacity (human resources at organizations and state administration bodies).

They were distributed by e-mail to all beneficiaries and contact points, and were followed-up with telephone calls. In addition, in-depth interviews were organized with the most relevant contact points and resulted in provision of detailed information that enabled insight in the state of affairs under individual programmes, reasons behind certain problems related to programme utilization and useful recommendations for policy-makers and potential beneficiaries.

Interviewees' response rate is shown in Table 1. Questionnaires were sent to 95 organizations in total, 52 of which filled-in the questionnaires and duly returned them. They account for 55% of all interviewees. From the total number of 121 projects where Macedonian organizations participate, interviewees who answered the questionnaires have participated in 64 projects and account for 53% of all projects.

Response rate	Culture		Europe for Citizens		PROGRESS		FP7		CIP		TOTAL	
	Organizations	Projects	Organizations	Projects	Organizations	Projects	Organizations	Projects	Organizations	Projects	Organizations	Projects
Answered /sent	14/26	18/35	16/25	19/27	3/4	3/4	16/36	18/48	3/4	6/7	52/95	64/121
%	54%	51%	64%	70%	75%	75%	44%	38%	75%	86%	55%	53%

Table 1: Interviewees' response rate per programme

At the same time, from 32 national contact points (programme coordinators or promoters) in total, we managed to interview 11 who cover all programmes targeted with the research. Most of them were cooperative and agreed to several meetings, but others did not respond to our multiple efforts to arrange individual interviews. Nevertheless, the combination of various methods enabled us to collect data necessary for this research study.

In the next stage, we developed a draft-document that was presented on meetings held in Brussels with relevant institutions and their representatives. These meetings resulted in additional information and were used to test the recommendations.

Finally, the draft-document was communicated to contact points, for the purpose of cross-checking and comparing research findings and draft-recommendations on improving utilization of Community Programmes.

This document analyses data collected and presents the results on two levels. First, it provides an overview on the level of participants in programmes targeted, which is based on

quantitative analysis of questionnaires. Thus, the discussion starts with a general overview of results for all programmes analysed²⁴.

Second, in order to arrive to specific knowledge, conclusions and recommendations, data were analysed per individual programme, and made due consideration of information obtained by means of direct interviews with national and EU bodies and their representatives. In order to enable easy browsing and de-burden the analysis from too many details questionnaires, additional tables and charts related to analysis of all questions are given at the end of this document, as an Annex. Throughout the text references are made to specific tables or charts from the Annex and are related to relevant headings in the document.

²⁴ Due to the small number of interviewees and projects and on the account of their specificity, the quantitative analysis does not include answers obtained and relevant findings related to *CIP* projects. In as many as six from the seven projects awarded under CIP, the beneficiaries are organisations and institutions that were also competent for programme promotion (EEN members). The seventh beneficiary did not submit a filled-in questionnaire. The reasons for non-inclusion of CIP are analysed in detail in the second section of the analysis that addresses specific results per programme.

KEY FINDINGS

Typical beneficiary: small, but capable

In order to understand the average beneficiary of Community Programmes, interviewees were asked to share information on their field of operation, relevant sector where they operate, their budget and human resources.²⁵ Most interviewees are active in *education and culture* as primary fields of operation, followed by those profiled in *research, service provision and science*.

As regards the type of organization, dominant are *civil society organizations, local governments*, 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, the civil society sector 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.²⁶

As for beneficiaries' financial capacity, 61% of those who answered the questionnaire dispose with budgets in the amount of up to 500,000 EUR. Knowing that in EU a grant in the amount of 100,000 EUR is considered small grant, understandable is that the Macedonian typical beneficiary would be an organization with limited financial capacity. *Poor financial ability prevents participation in larger financial projects and is not considered good recommendation when securing co-funding*. Hence, Macedonian organizations *rarely appear as project holders, and most often they act as project partners*.

An average beneficiary does not dispose with personnel that work exclusively on preparation and implementation of EU projects. Few in number are the organizations that have established project teams, and even fewer are those that outsource associates (consultants) to work on project applications, although most organizations aspire towards such practices. *Frequently, project teams are established on ad hoc basis, while project applications and other activities in the project cycle are performed by the applicants themselves*. This is not perceived as major problem in cases of small organizations and projects, but is a major obstacle in cases of large projects, in particular due to lost motivation on the part of key persons and due to lack of sufficient human resources for project implementation.

Experience and partnership are best teachers

To inquire about interviewees' project management potentials, they were asked to share information on previous experiences with implementation of EU projects²⁷, with special emphasis on their role, project's geographical scope, value and duration.²⁸

²⁵ Graphic overview of responses obtained to these questions is given in the Annex, Charts 1 to 4.

²⁶ Government's attempts to cooperate with the civil society, assisted and supported by the EU, are still on elementary level, and financial support (only in the form of project grants) is negligible. For more information, visit: <http://www.nvosorabotka.gov.mk/>.

²⁷ The term "EU projects" implies projects financed by the European Union by means of CARDS, IPA, Community Programmes and other instruments; this does not include projects financed by EU Member States or other European countries as part of their developmental assistance.

It should be noted that *almost all interviewees indicated that participation in Community Programmes is not their first experience with implementing EU-funded projects.*

In 41% of these projects, domestic organizations acted as project holders, while in 59% they were partner organizations. Most projects (53%) are transnational (mainly as partners), while smaller share of projects (21%) are of regional character, and only 25% are national projects.²⁹ Although Macedonian organizations appear as project holders in most national projects, encouraging is also the fact that *increasing is the number of transnational and regional projects where domestic organizations appear as project holders.* This provides the conclusion that in-country organizations hold relevant project management capacity to cooperate with several partners, although it is usually a matter of smaller scope projects with modest budgets.

As for project duration, 30% of projects where domestic organizations participated in lasted for one year, more than half of them (55%) were implemented for a period from 1 to 3 years, and the smallest portion thereof (15%) were implemented for a period from 3 to 5 years.

Continuous education and training as precondition for success

In order to inquire about the organizations' perception on their capacity to participate in EU-funded projects, they were asked to indicate staff's expertise, i.e., their strengths and weaknesses. In that, we were interested to learn their opinion as to which authorities are responsible for staff capacity-building.³⁰

Asked about employees' capacity to prepare and implement projects, 39 % of interviewees answered that their employees are fully capable, while 46% believe that they need additional training. According to applicants' self-perceptions, expertise of their relevant staff is high.

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 staff is competent, indicated that *additional training and education is needed.*

What is the general framework for action?

As many as 96% of interviewees stated that they are fully or partially acquainted with national legislative framework and policies that govern the field in which they operate. As for the corresponding EU *acquis* and policies, only 35% of interviewees claimed that they are fully acquainted, while 55 % stated that they hold partial knowledge thereof.³¹

²⁸ For detailed overview, see Chart 8 from the Annex.

²⁹ National is a project with participation from one or more domestic partners. Regional is a project where partners from neighboring countries participate in, while a transnational projects includes partners from non-neighboring states.

³⁰ For detailed overview, see Charts 9 and 10 from the Annex.

³¹ See Charts 4 and 5 from the Annex.

According to 22% of interviewees, national legislation is fully aligned with the EU *acquis*, whereas the dominant perception with 70% of interviewees is that *there is only partial alignment*.

As for the effects of national legislation's non-alignment with the EU *acquis*, high share of interviewees (93%) believe that it affects the utilization of EU funds. According to 56 % of interviewees, the non-alignment is of great importance in that regard.³² Results obtained under individual programmes do not differ from the general perception given above, i.e., *non-alignment was identified as an issue that affects all policies*. According to explanations provided by some interviewees, the issue of non-alignment is present on *several levels: from strategies and developmental policies to financial regulations*. This is a major obstacle for developmental and research projects of greater scope.

Projects requirements – ranking of barriers

In terms of the intensity of common barriers that determine the number and success of project applications, interviewees were asked to rank the ten most common barriers.

Almost half of interviewees (49%) identified *high competition for limited funds* as an insurmountable barrier, while 41% thereof indicated the *high percentage set for own contribution (co-funding)*.

Strong barriers that can be easily overcome by organizations include *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 identified as a barrier by majority of interviewees (82%), although they believe this barrier can be easily addressed. The issue of project ownership, as weaker or stronger, but easily surmountable barrier, was indicated by almost 90% of interviewees. Surmountable barriers identified by interviewees (68%) include also non-transparent evaluation of project applications. More details are shown in Chart 1 below.

FP7 beneficiary:

“Funds allocated as European grants are managed by the Treasury, which is a complete absurd. In order to gain access to such funds, the potential beneficiaries must develop plans and submit them for approval by the Ministry of Finance. Often, this leads to inability to implement project activities.”

³² See Charts 6 and 7 from the Annex.

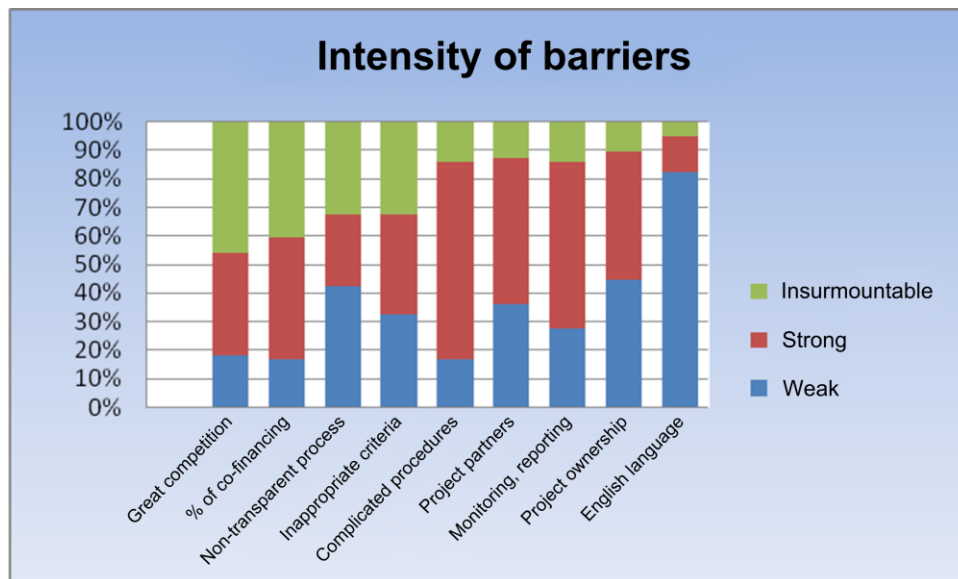


Chart 1: Ranking of most common barriers, according to their intensity

Better general conditions for greater absorption rate

The interviewees were asked to rank different macro-factors³³ that might contribute to greater utilization of funds and are beyond their direct control.

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* (ministries, municipalities, contact points) as the most important factors.

Better absorption rate necessitates good information on EU-funded project possibilities, accelerated integration process and development of public-private partnerships.

“Nothing is possible without men and women, but nothing is lasting without institutions.” Jean Monnet

Surprising is the fact that majority of interviewees fail to recognize the accelerated economic growth as factor that could contribute to greater success of project ideas, i.e., higher participation in EU projects. Contrary to this perception, the literature consulted as part of research efforts agrees that higher economic growth noted after the accession of Central and East Europe countries in the EU was a result of and factor for increased absorption of EU funds (European Commission, 2009).

³³ For more details on absorption capacity components and their determinants, see NEI study (2002), as well as Mrak and Uzunov, *EU Development Funds and Republic of Macedonia* (2005), pg. 67-76.

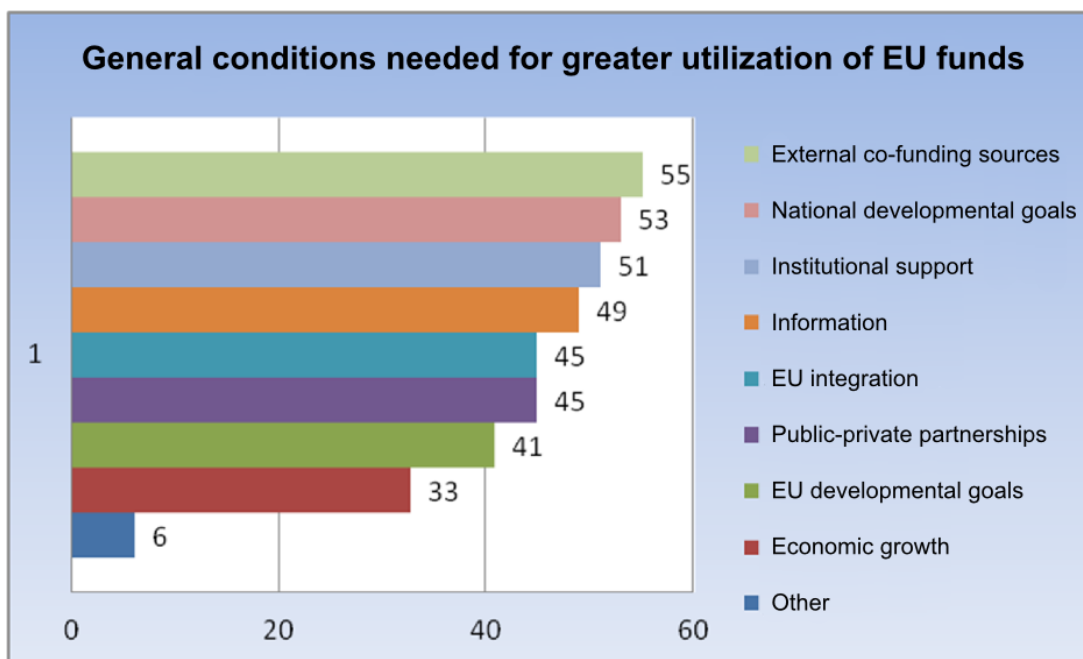


Chart 2: Ranking of general conditions, according to their importance

Capable human resources - joint investment and interest

After having inquired about interviewees' perception on their staff potentials, we were interested to learn their opinion on the authority responsible for staff capacity-building³⁴.

According to explanations provided, majority of them believe that *the interest in utilizing EU funds is a joint investment, both for the Government and for their institution*. Striking is the fact that this position is equally shared by all sectors (public, private and state sector). Hence, interviewees are of the opinion that joint efforts are needed to train employees, i.e., as many as 58 % of them 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.

The state holds the key to funding

Having in mind that co-financing is the greatest problem and obstacle in project application and implementation, interviewees were asked to assess their own financial abilities for co-financing, the availability of external funding sources, to identify potential sources of co-financing and rank them according to their importance.

On the question whether they can secure own co-financing, 20% of interviewees responded that they are able to fully secure the required co-financing from own funds, 52% of them responded that they can secure a small portion of co-financing required, while 28% indicated that they cannot secure any funding³⁵. As regards availability of external funding sources, 16% of interviewees believe that there are no external sources available to fund projects, 52%

³⁴ See Chart 11 from the Annex.

³⁵ See Chart 13 from the Annex.

of them believe that there are too little funding sources, and only 16% answered that external funding sources available are insufficient³⁶.

High share of 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 public institutions are a relatively important external source of co-financing and 29% indicated them as the least important external source of co-financing. According to interviewees, important sources of co-financing also include related organizations (27%) and public funds (22%). It should be noted that *the business sector, and in particular 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*. These findings imply that the state is the main factor able to secure 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. Most certainly, this is partly due to the absence of specific bank products and services, which is contrary to the situation noted in other countries. Notably, common practice in all accessing 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 consultation services, including project development, issuing guarantees, etc.

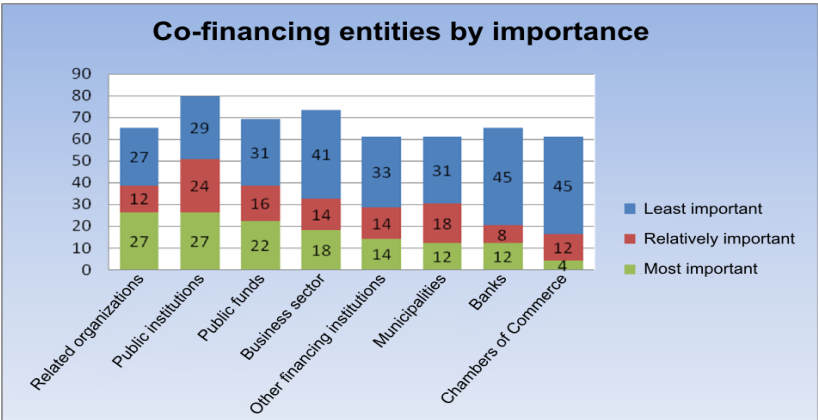


Chart 3: Frequency and importance of partners

How to achieve better utilization of funds

Interviewees were given the opportunity to propose activities needed to address barriers identified. According to vast number thereof, problems related to utilization of funds can be addressed with *greater focus on training and education*, in the sense of organizing thematic seminars and workshops.

Another activity that might facilitate this process is *the establishment of earmarked funds to co-finance projects supported by EU, i.e., to enable access to favourable loans from commercial banks and financing institutions*. This observation does not come as surprise, given that majority of interviewees face problems in securing required co-financing.

³⁶ See Chart 14 from the Annex.

High share of interviewees proposed *streamlined rules on financial management and project application, project monitoring and evaluation*. Finally, 37% of interviewees believe that *various promotion activities* on Community Programmes can be of great assistance.

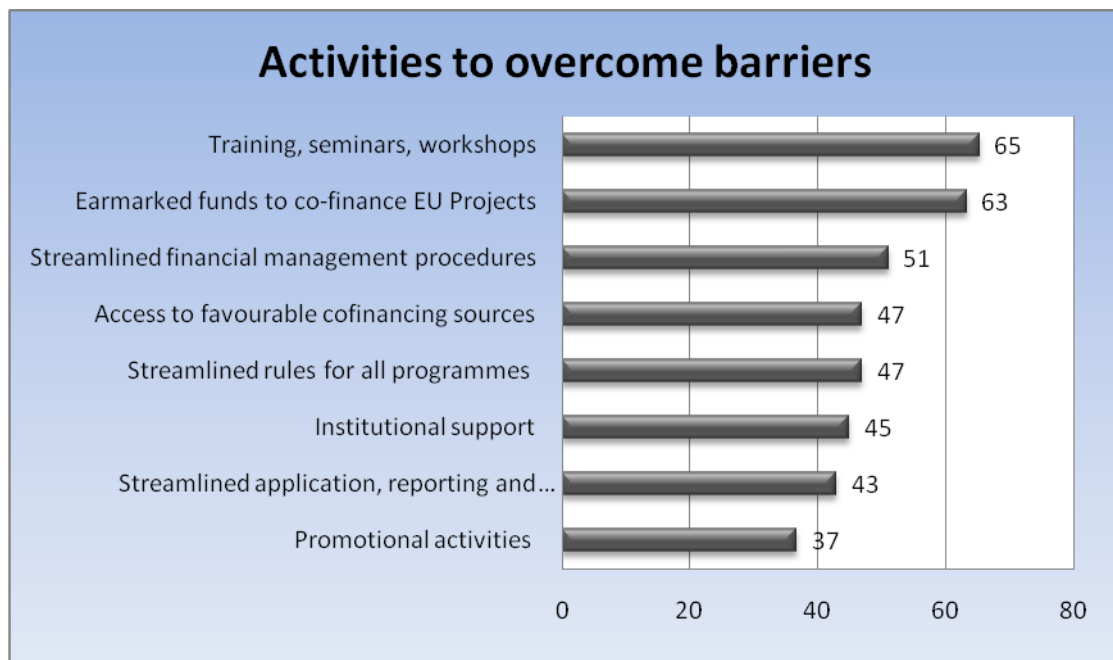


Chart 4: Activities needed to overcome barriers

There will be no realization of ideas without the Community Programmes

With the final question, interviewees were asked to share their views on benefits and advantages related to participation in projects financed by Community Programmes.³⁷

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 *development of new partnership* as an important benefit therefrom. According to interviewees, less important benefits include *sense of belonging to Europe* (35%) and *stable strategic framework* (33%). Financial benefits are very important for only 29% of interviewees, which indicates high level of understanding that EU projects bring other advantages, far more important than financial benefits.

³⁷ See Chart 12 from the Annex.

SPECIFIC FINDINGS PER PROGRAMME

Culture Programme 2007-2013

Culture became a common policy in EU with the Treaty of Maastricht (1993), which anticipated actions aimed to encourage and support cultural cooperation throughout Europe with a view to emphasize common cultural heritage. Nevertheless, culture was, is and will remain a primary competence of Member States, notably because it is a reflection and feature of the national identity. Therefore, European Union's cultural dimension is integrated into many common policies (industry, competitiveness, regional policy, etc.) and is supported with significant funds.

"If I had to do it (all over again) again, I would start with culture." Jean Monnet(?)

The strategic document "European Agenda for Culture" identifies three sets of objectives supported with a broad consensus, those being: to promote EU's cultural diversity and foster intercultural dialogue; to promote culture as a catalyst of creativity within the Lisbon Strategy for Growth and Jobs (and its successor, Europe 2020); and to promote culture as a vital element in EU's international relations (European Commission, 2007).

EU's financial support for culture is far from insignificant. For the programming period 2007-2013, the cohesion policy allocates 6 billion EUR to support cultural projects (which accounts for 1.7% of the entire budget for the Structural Funds). For illustration purposes, only Slovenia disposes with 82 million EUR intended to mobilize its cultural potentials and creativity in the context of regional development and job creation (European Commission, 2007b).

No.	STRAND
1	Support for cultural projects
1.1	Multi-annual cooperation projects
1.2.1	Cooperation projects
1.2.2	Literary translation projects
1.3	Cooperation projects with third countries
1.3.6	A) Support to European cultural festivals B) Framework partnership (3 years) for European cultural festivals
2	Support for organizations active at European Level
	A) Annual cooperation (operating grant): 1. Ambassadors ; 2. Advocacy networks ; 3. Structured dialogue platforms
	B) Multi-annual support (framework partnership) 1. Ambassadors ; 2. Advocacy networks ; 3. Structured dialogue platforms
3.2	Cooperation projects between organizations involved in cultural policy analysis

Table 2: Structure of the *Culture Programme*

Culture Programme 2007-2013 is EU's additional instrument to support cultural policies of its Member States. Programme's three main objectives are defined as follows: to promote transnational mobility of cultural players; to support transnational circulation of artistic and cultural works and products; and to foster intercultural dialogue and exchanges³⁸. Table 2 provides an overview of programme's structure.

Macedonia and Culture Programme

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

According to survey results, *Culture Programme's* beneficiaries are small organizations with modest budgets compared to the budgets disposed by an average beneficiary of Community Programme. The reason for this was identified in the fact that 80% of interviewees come from the civil society or business sector (publishing houses).

Beneficiaries from Macedonia participated only in projects financed under the first strand. From the start of Macedonia's participation until July 2011, 35 project applications were approved from the total number of 73 applications submitted³⁹. Projects were approved for 26 organizations in total, where 6 organizations were approved more than one application and one organization was approved as many as 4 projects. The amount of EU funds disbursed for all 35 projects accounts for 5.179 million EUR⁴⁰.

Comparison of project applications submitted and approved provides the conclusion on high success rate. Greatest interest and success of Macedonian organizations was noted under the strand that supports translation projects, while the lowest rate was observed in regard to multi-annual cooperation projects which are deemed to be the most difficult⁴¹.

Given that Macedonia is a new participant and knowledgeable of the great competition for funding, these indicators are encouraging. The conclusion on Macedonian organizations' success rate was confirmed on the meetings held with responsible officers at EACEA in Brussels, who expressed their satisfaction with the interest demonstrated by our organizations.

³⁸ The Education, Audiovisual and Culture Executive Agency is the implementing body competent for the *Culture Programme* (except for strand 3.2).

³⁹ 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 failed applicants.

⁴⁰ One should have in mind that funds are disbursed to all partner-organizations in the cooperation projects. Precise data on the amount disbursed to Macedonian organizations cannot be obtained.

⁴¹ In comparison, the success rate for 2011 under strand 1.1 was 25%.

However, in-country cultural operators indicated *absence of a coherent culture policy and strategy that requires alignment with European trends* as the main problem that prevents their participation in the *Culture Programme*.

Notably, national policy is rather rigid in recognizing and targeting new forms of art in the national culture. On the contrary, innovative artistic forms are increasingly supported throughout Europe, where these concepts are treated in broader terms. *Terminology applied in different fields of cultural operation must be changed, in particular because it does not reflect the modern development within Europe. Moreover, changes should be made in regard to scope of cultural activities, whereby the culture policy will be able to incorporate new, modern, innovative forms and concepts of cultural action.*

Furthermore, *cultural activities in Macedonia are not treated as activities that imply job creation, possibility to apply state of art technologies, encourage innovations and improve human potentials.* Such complementarity between culture and other policies has been long acknowledged and considered by EU and its Member States. *This affects the capacity of Macedonian operators to follow European trends, to network and to find partners for long-term cultural cooperation.*

Macedonia's non-participation in programmes that complement culture (such as *MEDIA, Life Long Learning* and others) is yet another barrier to developing synergies between cultural and other related policies. According to interviewees, if Macedonia participates in these programmes, the effects from its participation in the *Culture Programme* would be much greater.

Another problem identified by some interviewees is *absence of national grant-awarding schemes for mobility.* These grants could facilitate networking and cooperation with foreign partners and would simplify the development of joint project applications with external partners⁴².

A major shortcoming identified by interviewees is the *absence of cultural strategy* in the Republic of Macedonia, which is mirrored in the incoherent cooperation with the EU. This means that participation in programmes could lead to national cultural development and promotion outside the country.

An example of good practice was identified in *regulation of rules that govern project co-funding for the Culture Programme*⁴³. According to these rules, cultural operators whose projects were approved can also apply for co-funding beyond the annual call for proposals. However, lack of clearly defined share of co-financing for these projects remains to raise problems. Therefore, projects with different budgets are supported with same amounts of funding.

⁴² According to EU rules, costs that were incurred prior to signing the grant contract and related to project development are not eligible for funding.

⁴³ In 2011, the Ministry of Culture adopted the Rulebook on the criteria and financing of programmes and projects per cultural activity.

In practice, greatest success was noted among organizations with *defined strategy of operation*, where common denominator of successful applicants is their *experience with support from other funds, as well as participation in regional and European networks*. These conclusions were also confirmed on the meeting held in Brussels with representatives from EACEA. Project evaluation pays special attention to whether project applications were a joint effort of all partners as early as the preparations, where most often the decisive factor for project approval is the clearly defined role of all project partners and the project's European dimension.

Europe for Citizens Programme

The legal concept of European citizenship (or EU citizenship) was formally introduced in 1993, with the Treaty of Maastricht. Any citizen of EU Member States, in addition to his/her national, also acquires European citizenship. In that, EU citizenship does not replace the national citizenship, but on the contrary, it provides additional or extended rights to citizenship holders.⁴⁴



Jean Monnet

*"We are not forming
coalitions of states, we
are uniting men"*

The relevant literature shows a consensus that existence of European collective identity is a precondition for democracy in the EU, while the concept of political community is closely related to the concept of citizenship (Scheuer and Schmitt, 2009). Therefore, the main goal behind the institutionalization of this new legal status was to enhance and promote European identity and to enable European citizens to become more involved in the European integration process (Galup, 2010).

From its introduction in the Treaty of Maastricht to date, the issue of European identity and citizenship is gaining in importance under all European policies and practices. At the same time, trends have been identified on insufficient identification among citizens with Europe and lack of interest for European developments, which are some of the reasons behind the occurrence of democratic deficit. In that sense, citizens' interest in the elections for the European Parliament, from their introduction in 1979, when the voters' turnout was 62%, is marked by a permanent decrease. On the 1999 elections, the voters' turnout was 49.51%, in 2004 it was 47.63%, while in 2007 the turnout in Romania and Bulgaria was around 30% and 2009 European Parliament Elections were marked by 43% turnout, which was the lowest turnout noted on any European Parliament Elections from their introduction.⁴⁵ Abstaining from polls affects the legitimacy not only of the European Parliament, but of the European Union as a whole, and diminishes its credibility (Malkopoulou, 2009).

⁴⁴ Rights related to EU citizenship, in general, concern EU Member States and EU institutions, and less the native, national states. For more information on the rights, visit: http://ec.europa.eu/justice/citizen/index_en.htm; http://europa.eu/youth/your_rights/index_eu_en.html ; http://europa.eu/youreurope/citizens/index_en.htm

⁴⁵ For more information, visit: <http://www.europarl.europa.eu/aboutparliament/en/000cdcd9d4/Turnout-%281979-2009%29.html>

According to Eurobarometer’s survey, although 79% of EU citizens claim that they are familiar with the term “citizen of the European Union”⁴⁶, they are not well informed on their rights they are entitled to as EU citizens (Galup 2010, 7).⁴⁷

From these reasons, developing the feeling of common European identity and promoting citizens’ participation in the EU of 500 million citizens, 27 Member States and half-dozen candidate-countries remains an actual issue. In its efforts to promote “active European citizenship”, in 2004 EC initiated a special programme (conveniently entitled “Active European Citizenship), which was followed by *Europe for Citizens*.

Europe for Citizens Programme disposes with a budget of 215 million EUR for the period 2007-2013 and supports activities and organizations that promote “active European citizenship”. In that, special emphasis is put on citizens and civil organizations’ involvement in the European integration process. The programme aims to support activities that build common European identity, activities that strengthen citizens’ ownership over the European Union, and activities targeting strengthened tolerance and mutual understanding, with respect for differences. Programme’s specific advantage lies in that fact that it creates synergies with other programmes, in a manner that enables easy and fast partnerships and networks for project development in areas of common interest. Moreover, it offers possibilities for long-term cooperation and standing dialogue between partners.

The programme is open for participation of local authorities and organizations, European think-thank organizations, civil society and nongovernmental organizations, trade unions, education institutions, as well as groups of citizens. Table 3 below provides an overview of specific measures supported under the programme.

Action 1 - Active Citizens for Europe
Measure 1.1 Town Twinning s
Measure 1.2 Thematic networking of twinned towns
Measure 2.1: Citizens' projects
Measure 2.2: Support measures
Action 2 - Active civil society in Europe
Measure 1: Structural support for think-tanks
Measure 2: Structural support for civil society organizations at European level
Measure 3: Support to projects initiated by civil society organizations
Action 3 - Together for Europe
A) Events with great visibility; B) Studies; C) Information and dissemination tools
Action 4 - Active European Remembrance

Table 3: Structure of *Europe for Citizens Programme*

⁴⁶ 79% of the total number of interviewees claimed that they are familiar with the term “citizens of the European Union”.

⁴⁷ Only 43% of interviewees said they understand the meaning of the status of EU citizen, 36% have only heard about it, but do not know its meaning, and 22% of them have never heard of the term EU citizenship (Galup 2010).

Macedonia and Europe for Citizens Programme

Memorandum of Understanding for participation in *Europe for Citizens Programme* signed between the European Commission and the Republic of Macedonia entered into effect in March 2009. Programme's entry ticket amounts to 15,000 EUR per year, i.e., 60,000 EUR for the entire period (2010-2013). Co-financing for programme's implementation allocated under IPA amounts to 38,350 EUR for the entire period, whereby the national contribution for the entire period amounts to 21,650 EUR.

From the onset of Macedonian participation in the programme until July 2011, a total of 27 projects were approved, where EU's funding amounts to 2,049,872 EUR⁴⁸. In that, noticeable was the significant increase in projects approved (2009 – 1; 2010 – 6; 2011 - 21).

Analysis of data obtained as responses to questionnaires provided conclusions on the specificity of programme beneficiaries. Half of interviewees are local self-government units, whereas the remaining interviewees are civil society organizations. Moreover, half of interviewees dispose with an annual budget that exceeds 500,000 EUR. Thus, the fact that interviewees from *Europe for Citizens* provided good assessments on the questions related to co-funding availability does not surprise.

Two thirds of projects approved are funded under **Action 1**, 29% of them are funded under **Action 2 (Measure 3)**, whereas only one organization benefits from funds available under **Action 4**. There were no projects approved under **Action 3**.

Interviewees identified *development of new partnerships and learning from partners/related organizations from other countries* as the programmes' greatest advantages. These answers do not deviate from those expressed by beneficiaries from other Community Programmes.

None of the interviewees identified an insurmountable barrier in the lack of relevant project partners, as well as complicated and time-consuming project application procedures. This is due to the fact that project application is electronic and there are simplified forms in place.

On the meetings with responsible officers from EACEA held in Brussels, we were advised on several key factors that contribute to applications' success rate.

Project proposals must have a clear focus on the working programme's priorities, and include topics of broader European interest. Regardless of the project type, special value is identified with projects that include development and promotion of debate on different European policies and their effects on citizens' life. Inclusiveness and coherence of project proposals is especially valued. Projects should not be designed as one-event activities, but as inception stages of partnerships and joint future action and ideas.

⁴⁸ This information is based on the research team's calculation from data available at EACEA's website. Similar information is available in NPAA 2012, which reads that "with the September 2011 call for proposals, inclusive, applicants or partners from Macedonia participate in 24 projects on different actions and measures under the programme, with a total budget of 1,509,282,73 EUR".

PROGRESS Programme

Social policy⁴⁹ and employment are exclusive EU competences, but they are primarily responsibility of Member States. However, pursuant to its goal “*to promote harmonious, balanced and sustainable economic development, high level of employment and social protection, (...) raising the standard of living and improving quality of life, economic and social cohesion and solidarity among Member States*” (Treaty of Lisbon, 2009), EU supports certain activities also in the field of social protection.

More specifically, EU defines minimum standards and rights related to social protection which must be effectively realized by all Member States. Member States can independently adopt rules and regulations that are more comprehensive than EU-defined minimum standards, but in no way can they be less-enabling. This is actually a matter of standards and rights stipulated in the Council of Europe’s Social Charter from 1961 (i.e., the European Social Charter).⁵⁰

These standards or rights include: the right to appropriate work conditions, the right to fair remuneration, the right to protection of mothers and children, the right to freedom of trade union, etc. In course of time, the Social Protocol was incorporated in the Treaties, and social and employment policy became shared competences of EU and Member States. Today, EU is competent to take activities in the following areas:⁵¹

- *improvement of the working environment to protect workers' health and safety;*
- *working conditions;*
- *social security and social protection of workers;*
- *protection of workers when their employment contract is terminated;*
- *information and consultation of workers;*
- *representation and collective defence of the interests of workers and employers;*
- *employment conditions for third-country nationals legally resident in the Community territory;*
- *integration of persons excluded from the labour market;*
- *equality between men and women with regard to labour market possibilities and treatment at work;*
- *combating social exclusion;*
- *(and) modernization of social protection systems;*

EU supports Member States’ cooperation in these areas and accomplishment of joint goals through an array of programmes and financial instruments. *PROGRESS* is an EU programme that supports employment and social solidarity in Europe. It supports Member States in their efforts to create more and better jobs and attain social cohesion by creating equal

⁴⁹ For more information on EU's social policy development, visit

http://europa.eu/legislation_summaries/institutional_affairs/treaties/amsterdam_treaty/a14000_en.htm

⁵⁰ For more information, visit: <http://conventions.coe.int/Treaty/GER/Treaties/Html/035.htm>

⁵¹ Article 153, paragraph 2 from the Treaty of Lisbon defines the following activities: a) adoption of measures designed to encourage cooperation, excluding any harmonisation of the laws and regulations of the Member States; b) adoption, by means of directives, of minimum requirements for gradual implementation, which shall avoid imposing administrative, financial and legal constraints in a way which would hold back the creation and development of small and medium-sized undertakings.

opportunities for all citizens. These are also EU's key strategic goals defined under both, Lisbon Strategy for Growth and Jobs and Europe 2020. Contrary to the European Social Fund (ESF) that finances specific measures of Member States' employment and social inclusion policies, *PROGRESS* finances activities with broader European dimension that provide for an EU added value. This is achieved by supporting different activities with immediate goals grouped in 5 areas, as given in Table 4.

The budget allocated to *PROGRESS* amounts to 750 million EUR for the period 2007-2013. *PROGRESS* is open for several beneficiary groups, those being: state employment services/agencies; local and regional authorities; social partners; nongovernmental organizations (especially those active on EU level); higher education institutions and research centres; national statistical offices; media and assessment experts.

<i>AREA</i>	<i>Budget share</i>	<i>Immediate outcomes</i>	<i>Activities</i>
Employment	23%	Effective information sharing and learning;	<ul style="list-style-type: none"> • Policy analysis and research; • Monitoring and reporting on implementation of EU legislation and policies; • Developing statistical tools and methodologies on monitoring, analysis and evaluation and development of joint indicators for areas targeted by <i>PROGRESS</i>; • Networking of key actors in separate areas, for the purpose of information exchange, identification of best practices and experiences on EU level, promotion of mutual learning; • Supporting vital partnerships between national organizations, NGOs and volunteer organizations, expert groups and networks who work on individual areas for the purpose of capacity building; • Awareness raising on the importance of gender equality; • Promotion, communication and dissemination of information and outputs;
Social inclusion and social protection	30%	Evidence-based EU policies and legislation;	
Working conditions – improvement of working conditions	10%	Integration of cross-cutting issues and consistency;	
Non-discrimination, anti-discrimination and diversity	23%	Greater capacity of national and EU networks;	
Gender equality	12%	High-quality and participatory policy debate;	

Table 4. Structure of *PROGRESS Programme*

Macedonia and PROGRESS Programme

Republic of Macedonia fully participates in this programme from 2011, whereas in 2007 and 2008 it was eligible only for limited participation⁵², and partial participation in 2009⁵³. This resulted in various amounts paid as annual entry tickets which are shown in Table 5.

⁵² 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).

⁵³ Participation in additional types of activities: analytical activities (4, 5); joint learning, awareness raising and information campaigns (1).

Year	Participation	Entry ticket/ per year	IPA co-financing ⁵⁴
2007	limited	60,000 EUR	54,000 EUR
2008	limited	100,000 EUR	89,000 EUR
2009	partial	160,000 EUR	131,200 EUR
2010	partial	160,000 EUR	128,000 EUR
2011-2013	complete	300,000 EUR	-

Table 5: Entry tickets, participation rate and co-financing per years 2007-2013

According to information obtained as part of our desk-research, from the programme's onset up to date Macedonia participated in four projects. Afterwards, we 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 that, *PROGRESS* is the only programme for which Macedonia pays more than it can absorb.

The fact that Macedonia has 10 contact points⁵⁵ and 2 national coordinators⁵⁶ for the *PROGRESS Programme* and we were unable to contact any of them, speaks negatively of the competent institution's attitude (Ministry of Labour and Social Policy – MLSP) towards the programme. All projects were approved in 2008 and 2009. From that period to date, the programme's visibility has diminished⁵⁷, as is the interest for participation, which is surprising given the high poverty rate, social exclusion of large groups of citizens and enormous unemployment in the country.

On the other hand, Chapter 19 (Social Policy and Employment)⁵⁸ is one of the most criticized areas in all EC Progress Reports for the Republic of Macedonia.⁵⁹ The impression is gained that *state institutions and civil society have no interest in addressing these issues*, although the successful applicants we interviewed emphasized that projects financed under *PROGRESS* facilitate the implementation of EU *acquis* and contribute to promotion of domestic

⁵⁴ Information on co-funding was taken from the EC Delegation in Macedonia's website: http://eeas.europa.eu/delegations/the_former_yugoslav_republic_of_macedonia/documents/projects/contract_list_en.pdf

⁵⁵ <http://mtsp.gov.mk/?ItemID=08F3597CB53B5641808DE6EF3255BF16>

⁵⁶ <http://ec.europa.eu/social/main.jsp?catId=984&langId=en>

⁵⁷ Internet browsing of international and domestic websites did not result in information on events organized for the programme's promotion, promotion materials or brochures. The 2012 National Programme for the Adoption of the EU Acquis does not refer to the *PROGRESS* programme.

⁵⁸ Chapter 19 addresses alignment issues of the national legislation in the field of labour, employees' protection at work (health and safety at work), social dialogue, employment policy, social inclusion, social protection, etc. Given that it targets the most important economic and social rights of citizens, Chapter 19 is one of the most sensitive areas in the European integration process and requires special attention and diligence on the part of state institutions.


⁵⁹ 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 Reports 2008-2011, Red Alert, pg. 76-79, available at: http://mcet.org.mk/?page_id=120.

legislation. Competent authorities' disinterest for this area (or its non-inclusion on the list of priorities) confirms the fact that Macedonia demonstrates low utilization of funds made available under IPA Component IV Human Resources Development, which is intended to finance projects on education and training, employment and social inclusion (MCET, 2012).

Seventh Framework Programme for Research and Technological Development 2007-2013 (FP7)

Research and development and innovation policies are subject of divided competences between Member States and the EU. The Treaty of Lisbon (2010) stipulates that “*the Union and Member States shall coordinate their research and development activities in order to ensure that the national policies and Union policies are consistent*“, as well as that the European Commission is tasked to take initiatives, especially with the aim “*to determine guidelines and indicators, organize exchange of best practices, and prepare elements needed for periodic monitoring and evaluation*”. Accordingly, divided competences imply that activities taken on the level of EU should provide an added value to those taken by Member States (Borchardt 2010).

The intensification of globalization processes brought new challenges for the EU as a whole and its Member States. In order to maintain its competitiveness and provide sustainable growth that would create new jobs, the EU defined its goal to become “knowledge-based society”, as incorporated in the Lisbon Strategy and its successor Europe 2020, and made research and innovations its top priority.



FP7 and CIP are the most important instruments for achieving the Europe 2020 strategic goals

Lisbon Strategy's medium-term evaluation, developed by group of experts and led by Wim Kok, identifies the major challenges faced by the European economy. In addition to increased competition from traditional competitors such as USA and Japan, another challenge for Europe is identified in the emerging economies of growth, in particular those from Asia. Another problem for Europe's competitiveness is the population's ageing. According to report's recommendations, Europe's first priority must be implementation of knowledge-intensive society, notably by means of following activities: 1) to increase Europe's attractiveness for researchers and scientists; 2) to make research and development its top priority; 3) to promote use of ICTs; 4) to protect intellectual property (European Communities, 2004).

These priorities are mirrored in the EU's goal to invest 3% of GDP in research and development by the year 2020. To operationalize this goal EU designed an array of programmes and instruments and allocated significant funds thereto (as percentage of EU's total budget). Biggest and most important instruments used for that purpose are *FP7* and *CIP*.

Seventh Framework Programme for Research and Technological Development 2007-2013 (FP7) has two strategic objectives: 1) to strengthen the scientific and technological base of European industry; and 2) to encourage its international competitiveness, while promoting research that supports EU policies. *FP7* is EU's key instrument for attaining goals defined

under the Lisbon Strategy (Europe 2020) for knowledge-based economy, more competitive economy and economy that creates new jobs. In order to attain its specific goals, the programme disposes with a budget of 50.521 billion EUR for the period 2007-2013. Different research areas are covered under several topics or so-called specific programmes, and include various activities. They are shown in Table 6 from the Annex.

Macedonia and FP7

Memorandum of Understanding for accession to FP7 was signed between the European Community and the Republic of Macedonia in June 2007⁶⁰. According to the Annex thereto, the programme's entry ticket is calculated on annual basis. Total amount of funds paid as entry tickets in the period 2007-2013 accounts for 7,362,000 EUR, and the payment dynamics is shown in Table 7.

Year	Entry ticket
2007	397,000 EUR
2008	545,000 EUR
2009	718,000 EUR
2010	948,000 EUR
2011	1,246,000 EUR
2012	1,570,000 EUR
2013	1,937,000 EUR

Table 7: Payment dynamics per year

As is the case with other Community Programmes, co-funding for the entry ticket is secured from IPA grants. In the first two years, relevant entry tickets were fully covered with IPA funds, whereas from 2009 onwards, IPA-secured co-financing amounts to 69% of funds paid as entry ticket for the previous year. In summary, 4,281,000 EUR or 58% of total funds paid as entry tickets for the entire period will be secured from IPA funds.

Year	Project applications	Projects approved
2007	130	20
2008	74	14
2009	74	6
2010	69	6
2011	/	2
Total:	347	48

Table 8: Overview of FP7 projects submitted and approved

⁶⁰ Macedonia participates in the following specific programmes: *Cooperation; Ideas, People, Capacities, Direct Actions of Joint Research Centre*.

In the period 2007-2011, a total of 347 project proposals for FP7 funding were submitted and include at least one organization from Macedonia. 48 projects in total were approved and include 60 in-country organizations. Given the fact some organizations participate in several projects, the total number of participants from Macedonia is 36. Most of them are universities and other research institutions, whereas the business sector is represented by 8 companies in total (6 public and 2 private). Table 8 provides an annual overview of projects submitted and approved by the beginning of 2011.

Most recent information obtained from the programme's national coordinator indicates that additional 6 projects were approved. As for funding disbursed, to present more than 8.5 million EUR from FP7's budget have been disbursed compared to 3.854 million EUR paid as entry tickets.

First impression on Macedonia's participation in the FP7 is that on the account of projects approved Macedonia succeeded in utilizing more funds than the amount paid as entry ticket. Competition between grants is particularly strong, while the average success rate is relatively modest. In terms of specific programmes, the average success rate in the first two years of implementation is the following: 1. *Cooperation* - 18%, 2. *Capacities* - 18%, 3. *People* - 29%; 4. *Ideas* - 4%.⁶¹ On the other hand, the success rate of Macedonian projects in the period 2007-2010 was as follows: 1. - 17%; 2. - 26%; 3. - 28% and 4. - 0%.⁶²

Overall success rate of Macedonian applications is almost 15%. This provides for significant success and is above the average calculated for Western Balkans 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%).⁶³

Macedonia's relatively good participation rate is due to two factors. First, it participated in the previous programme cycle, i.e., FP6 (and partially in FP5). As a result, many beneficiaries acquired the relevant knowledge on implementing this type of projects, notably due to established partnerships and networking with related organizations from Europe. Another reason for the increased number of project applications is the fact that in the first two years of implementation, FP7 announced separate calls for proposals for Western Balkans.

Country's participation in FP7 provides a different image when it is reconsidered in terms of specific programmes and applicants. High number of projects approved was submitted by a narrow group of beneficiaries and usually concern participation in *Cooperation* and *Capacities* programmes. Participation in the *People* programme, and in particular *Marie Curie* actions for mobility of researchers and scientists, is insignificant. Finally, there were no projects approved under the *Ideas* programme which finances frontier research.

Low utilization of fellowships for mobility of young and experienced researchers as part of *Marie Curie* actions indicates that *scholar and science professions are the least attractive in Macedonia*. This results in missed opportunities for professional training of domestic staff and possibilities to network and participate in joint projects with host organizations of

⁶¹ For more information, visit: www.europamedia.org

⁶² Average success rates were calculated by the research team.

⁶³ Country-specific success rates under specific programmes were calculated by the research team.

fellowship beneficiaries. Moreover, staff's limited mobility leads to its isolation on one hand, and brain drain, on the other.

High share of projects approved imply basic capacity-building, such as procurement of instruments, equipment, laboratories, development of strategic documents, regional networking and like. This is indicative of the fact that *Macedonian scientific and research institutions are faced with a major lack of basic research infrastructure*. Moreover, *serious investments are needed in continuous development of their scientific and research capacities*.

This situation is a symptom of insufficient investments made in research and development, which is an area where Macedonia is ranked low on the World Bank's list, not only in Europe but in the region as well, notably because these investments account for 0.02% of the country's GDP and 0.1% of private investments in the period 2005-2010 (Gill and Raiser, 2012). Data obtained from the World Economic Forum (WEF), i.e., the Global Competitiveness Report is alarming as they stand in witness of Macedonia's stagnation in the field of innovations. Namely, under the pillar *Innovations*, Macedonia has dropped from the 92nd place in 2009 to 105th place in 2011. This is primarily due to the lower rank noted in regard to the indicator "company spending on research and development" from 71st place in 2009 to 109th place in 2011. Moreover, worrying is the indicator "availability of scientists and engineers", where Macedonia dropped from 70th place in 2008 to 114th place in 2011, which is a negative indicator on the availability of expert staff and labour's profile in the country (WEF, 2010; WEF 2011; WEF 2012).⁶⁴

Type of research financed on national level provides the conclusion on their *non-complementarity with the priorities defined in Europe 2020*⁶⁵. Research topics are defined by the researchers themselves, whereas grant amounts per project are insignificant.⁶⁶

Research results indicate that business sector's participation in FP7 is almost non-existent. Public enterprises are most numerous in the pool of FP7-participating business entities. Business sector's low participation rate indicates *the lack of relevant networking between companies, scientific-research and higher education institutions*. In other words, the triangle comprised of education, research and innovations, which represents a main precondition for economic development and job creation is completely absent in Macedonia.

⁶⁴ The Table shows only the country's ranks, and not indicators' absolute values. This means that small progress or stagnation result in the country's lower rank, provided that other countries have achieved progress.

⁶⁵ The list of supported projects is available at: <http://mon.gov.mk/mk/aktivnosti/643-2010-09-28-08-18-03>. The website does not include information on project amounts, however, information obtained from researchers that applied on the calls announced by the Ministry of Education and Science, grant amounts must not exceed 10,000 EUR per year and the maximum period of projects is 24 months.

⁶⁶ The Accession Partnership from 2007, signed between the EU and the Republic of Macedonia, includes two short-term priorities in the field of science and research, those being: 1. to strengthen research and technological development capacity; and 2. to start designing an integrated research policy. They are accompanied with a medium-term priority which reads: to apply an integrated research policy (Council of the European Union, 2008). However, the 2011 Progress Report notes that "the national strategy for science - research and development activity is not yet in place", and criticizes the limited financial resources allocated for research and development, as well as the weak capacities of the research facilities (European Commission, 2011).

INDICATOR	YEAR			
	2008	2009	2010	2011
12 Innovations – overall rank	107	92	97	105
12.01 Capacity for innovation	83	86	87	86
12.02 Quality of scientific research institutions	95	90	71	86
12.03 Company spending on research and development	98	114	111	109
12.04 University/industry research collaboration	89	78	74	92
12.05 Government procurement of advanced technology products	111	106	110	110
12.06 Availability of scientists and engineers	70	81	95	114
12.07 Patents	88	61	90	90

Table 9: WEF's Global Competitiveness Reports Indicators for 2008, 2009, 2010 and 2011

Analysis of failed applications infers the conclusion that large share thereof did not qualify for specific calls for proposals announced. Obvious is that applicants have misunderstood programme's specific characteristics and were unable to interpret the calls announced and/or the working programmes. Likely is that these applicants did not invest sufficient time in preparatory activities and were led by their own needs, rather than the specific terms and conditions stipulated in FP7 calls for proposals.

In conclusion, it can be noted that FP7 has been designed according to the needs of developed countries, which are marked by developed industry base and system support for research and science, and is intended for frontier research in targeted areas. FP7 cannot be considered as alternative to national funding for research, but rather a complementary instrument aimed to create better synergies in Europe.

Macedonian applicants' needs, as discussed above, primarily concern institutional support where the individual possibilities are rather limited. When defining research topics and areas, researches are led by personal needs and interests, rather than by the needs of the economy.

To make matters worse, the business sector's investment in research, development and innovations is quite low, and even if it wanted to invest more, it does not dispose with sufficient finances to support long-term, expensive research projects. The gap between FP7 possibilities and actual needs of potential beneficiaries from Macedonia on one hand, and the gap between the needs of science and research sector and business sector on the other hand, have additional negative effect on programme participation, notably because they determine the interest for applying and, to a certain extent, project applications' success.

Competitiveness and Innovation Framework Programme 2007 – 2013 (CIP)

As is the case with many economic policies, EU's industrial policy is primarily implemented by Member States. According to the open method of coordination⁶⁷, Member

⁶⁷ The open method of coordination (OMC) provides a new framework for cooperation between Member States, whose national policies can thus be directed towards certain common objectives. OMC does not lead to binding EU legislative measures and is implemented by exchange of good practices and experiences, i.e., benchmarking, and was a result of increased economic integration of European economies. For more information on OMC,

States' policies are coordinated on EU level with a view to accomplish EU's goals⁶⁸. The bases of today's industrial policy have been established with the Treaty establishing the European Coal and Steel Community (TECSC), and the Treaty establishing the European Atomic Energy Community in two sectors. Today, this policy is extended to all economic sectors and its main goal is to create favourable environment for enhanced competitiveness of European industry. The creation of solid and dynamic industrial base contributes to EU growth and sustains its economic and technology leadership in the context of growing globalization:⁶⁹ In specific terms, the industrial policy is comprised of⁷⁰:

- General measures for the further development of the internal market and for the establishment of a European economic and monetary union (in this sense, industrial policy forms part of the general economic policy);
- External commercial policy (anti-dumping policy; bilateral and multilateral trade agreements with implications for individual industrial sectors);
- Social and regional policy (when the industrial reconversion process has unacceptable social and regional consequences);
- Competition policy (legal instruments for intervention in market mechanisms that are not functioning well and for monitoring state aid);
- Research and development policy;
- Strengthening of cooperation among European enterprises.

Programme	Topic area	Budget (mil. EUR)	Intervention mechanism
CIP – EIP Entrepreneurship and Innovation	Facilitating access to capital for SMEs	1,129	<ul style="list-style-type: none"> • Financial instruments
	Supporting services for enterprises (especially SMEs)	338	
CIP - ICT PSP ICT policy support	Promotion of innovations, especially eco-innovations	585	<ul style="list-style-type: none"> • Business and support services for innovations through networks of regional centres within the European Enterprise Network (EEN)
CIP - IEE Intelligent Energy Europe	ICT interoperability and take up	728	<ul style="list-style-type: none"> • Pilot projects and projects to introduce new market technologies • Policy-making to support competitiveness and innovation
	Renewable energy sources and other energy issues	727	

Table 10: Structure of CIP

visit: http://europa.eu/legislation_summaries/glossary/open_method_coordination_en.htm and:

<http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/openmethodofcoordination.htm>

⁶⁸ Goals of the European Union are defined in Article 3 of the Treaty on the Functioning of the European Union, or in short the Treaty of Lisbon.

⁶⁹ For more information on European industrial policy and the legal framework, visit: http://europa.eu/legislation_summaries/enterprise/industry/n26109_en.htm.

⁷⁰ For more information, visit: http://www.europarl.europa.eu/factsheets/4_7_1_en.htm.

Competitiveness and Innovation Framework Programme 2007 – 2013 (CIP) supports attainment of EU goals on building and strengthening EU's competitiveness on global level, in that making due consideration of climate change and globalization's social implications. Specifically, CIP aims to improve competitiveness of the small and medium-sized enterprises (SME) sector, by increasing their ability for innovations, providing better access to finances and by providing business services. CIP is divided into three operational programmes, each with a separate objective. Programme's budget accounts for 3.621 billion EUR for the period 2007-2013. Table 10 provides an overview of CIP components, budget breakdown and instruments.

Macedonia and CIP

From the three components defined under CIP, in December 2007 the Memorandum of Understanding was signed only for the *Entrepreneurship and Innovation Programme*. The entry ticket for this programme component is set annually and pursuant to a complicated formula that takes into account the economic growth (GDP's growth 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, for the year 2009 Macedonia paid an entry ticket in the amount of 98,005 EUR and 113,181 EUR for the year 2010. In 2011, the 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 for the three years.

Relevant Memoranda of Understanding for Macedonia's accession in the remaining two programme components have been agreed with the European Commission. The Ministry of Economy expects them to be signed by the end of 2011, or the beginning of 2012. According to NPAA (pg. 290), final activities for Macedonia's accession in CIP's second and third components (*ICT Policy 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 State Statistical Office were approved one project each, while the remaining four projects include the participation of Foundation in Management and Industry Research, also an EIICM member. No SMEs from Macedonia are participating in CIP-funded projects. Total value of projects amounts to 3,123,396 EUR. According to DG for Enterprises and Industry, grants approved for Macedonian implementing parties under EIP 2007-2010 account for 529,822 EUR.

Majority of projects supported under CIP are implemented by EIICM members, which provides the conclusion that Macedonia is most successful in regard to securing support for

companies 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 through financial instruments). Hence, from 2008 when Macedonia participated with one representative in the project application until present 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 and 3 representatives in applications submitted, respectively⁷¹. In the meantime, EIICM members (in particular the Economic Chamber of the Republic of Macedonia) implemented numerous activities to promote and advertise CIP possibilities for SMEs, organized various seminars, workshops and training on project application development and submission. Despite these efforts, by the end of 2010, no SMEs from Macedonia have developed and submitted projects on eco-innovations.

Reasons for non-participation of Macedonian applicants are multifold. First, only a small number of projects are approved in a situation when the number of applications submitted is increasing (the success rate of 33% noted in 2008 decreased to 23% in 2009 and to 14.6% in 2010). Second, these are pilot projects, i.e., projects to introduce or replicate new technologies on the market. Proposed project ideas should be innovative and able to be transformed into commercial environmental “green” products and services. Third, selection criteria include excellence and EU added value under project proposals. Moreover, project ideas should be innovative, but also hold potential for commercialization, as well as potential for replication and broad application on European markets.

Given the current development of SMEs sector in Macedonia and the support for innovations, failure of project applications does not come as surprise.

SMEs lack financial and operative capacity for CIP participation and co-funding. Moreover, they rarely invest in innovations, research and development, and lack project ideas that are considered eligible for CIP funding. There are little, if any, national mechanism to finance innovations, research and development. Absent is also networking and continuous cooperation between the business sector, academy and research institutions, which is expected to result in new project ideas. Finally, SMEs lack long-term strategic planning.

The third action under Component I that is related to financial instruments on facilitating access to cheaper capital for SMEs is also unsuccessful. Institutions competent for implementation of financial instruments are the European Investment Bank and the European Investment Fund (together, the EIB group). These institutions enter arrangements with Macedonian banks and other financial institutions, whereby the latter act as financial intermediaries that disburse relevant 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 the EIB. The only institution that can act as financial

⁷¹ 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.

intermediary is the Macedonian Bank for Development Promotion (MBDP). Notably, two years ago this bank initiated the procedure on contract signing with the EIB. To this date the contract is not signed and there is no information as to when and whether this will happen. Another serious problem is identified in the need for MBDP's capital increase that will enable this institution to directly implement relevant financial instruments in Macedonia.

DG for Enterprise and Industry has long established a portal⁷² where European companies can find information on access to various financial instruments supported by the EU. Four years after Macedonia initiated its CIP participation; this portal does not provide information that such EU-supported funding sources (loans and guarantees) are made available in Macedonia.⁷³ In comparison, Montenegro, i.e., one commercial bank from Montenegro, recently joined the programme, signed the contract on guarantee issuance with the EIF⁷⁴ and offers subsidized loans for SMEs. The same goes for Serbia, where for the time being at least one bank has signed relevant contracts and disburses these EU instruments.⁷⁵

⁷² More information at: <http://www.access2finance.eu/>

⁷³ For more information, visit:

<http://www.access2finance.eu/ma/FormerYugoslavRepublicOfMacedonia/cip/index.htm>

⁷⁴ For more information, visit: <http://www.ckb.me/web/code/navigate.jsp?Id=66> .

⁷⁵ For more information, visit: <http://www.access2finance.eu/rs/Serbia/cip/index.htm>.

CONCLUSIONS

In general, 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 their complexity, applicants' experience, networking skills and motivation, efforts made by responsible contact points and support from competent institutions.

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 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 the 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.

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).

According to survey interviewees, increased success under Community Programmes necessitates more training, seminars and workshops. Earmarked funds intended to co-finance EU-supported projects will contribute to greater absorption rate. Introduction of national grant-awarding schemes for mobility intended as support for (smaller) organizations in developing project proposals that imply partnerships will significantly increase programmes' participation.

Absence of relevant sector strategies was identified by interviewees from all areas of operation targeted by analysed Community Programmes. This is particularly the case under 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 the relevant strategies in the areas covered by these two programmes and lacks proactive complementary policies. Moreover, business sector's participation in Community Programmes is alarmingly low. As a result thereof, participation of Macedonian beneficiaries in programmes that improve competitiveness cannot be assessed as positive.

Failure to define national strategic goals and outcomes under individual policies results in the non-existence of financial and other instruments needed to implement these strategic goals. Absent is also a serious financial framework to support project idea holders. This is why, a significant share of organizations face problems in securing funds needed for project co-financing. Programme beneficiaries believe that the absorption rate can be increased by greater accessibility 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.

Furthermore, the fact that interviewees see 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 clear interest and strong political will 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 *conditio sine qua non* in regard to utilization of European funds.

The survey confirmed that 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, success and participation.

Some contact persons also participate in working groups and committees established 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.

RECOMMENDATION FOR PUBLIC POLICY MAKERS

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, all stakeholders and other interested persons and institutions, must urgently adopt the national strategy for development by the year 2020 “Macedonia 2020” that would complement “Europe 2020”, as was already done by the Republic of Serbia.⁷⁶
2. In a broad consultation process, the Government and line ministries should develop national developmental policies (research and development, innovation, industry policy and SMEs policy, energy and transport policy, social and employment policy), in compliance with the national developmental strategy. Following the example of key objectives defined under Europe 2020 and recommendations provided therein, Macedonia must define its key national goals, develop specific instruments and objectives, and methodology on implementing, monitoring and evaluation of results achieved.
3. The Government should design the budget of the Republic of Macedonia in a manner that will enable attainment of national developmental policies and objectives in compliance with Europe 2020.
4. In addition to state budget funds, line ministries and the Sector for European Affairs (SEA), in the capacity of programme coordinator, must programme additional funds from IPA Component I with a view to build and strengthen capacities of potential beneficiaries for participation in Community Programmes, following the example of the Ministry of Economy’s project on CIP promotion, assistance in project development and partner-finding.
5. Line ministries must allocate sufficient funds aimed to support the work of national contact points and bodies. This will enable organization of promotion activities, other public events and will disseminate positive results from projects implemented. In addition, the Government and line ministries should allocate funds for activities aimed to promote lobby and advocate for the interests of Macedonian beneficiaries, as well as to support their participation on working meetings, conferences and other public events held in Brussels and Member States.
6. 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 specially-designed website that will be regularly updated, following the example of the European Commission’s EVE

⁷⁶ Serbia 2020, Concept on Serbia’s Development by 2020, available at:<http://www.predsednik.rs/mwc/pic/doc/SRBIJA%202020%20FINAL%2018122010.pdf>.

Platform.⁷⁷ This will secure greater visibility of project possibilities, as well as exchange of good practices and experiences.

7. 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.
8. SEA and line ministries to undertake detailed analysis of EC's proposals for Community Programmes in the period 2014-2020. In that, special focus should be put on programmes' possibilities, identification of programme areas and possible beneficiaries. Needs and possibilities should be researched, whereas support and assistance must be focused on organizations that hold the greatest potential for participation.
9. 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 utilization of "big money" from the Structural and Cohesion Funds, which will be made available once Macedonia becomes an EU Member State.
10. Financial instruments are needed to support participation in Community Programmes. One of possible solutions thereto implies the establishment of Fund to co-finance EU projects, following the example from Croatia, where a previously defined share of lottery profits is allocated to sustain this fund.
11. Moreover, larger organizations (universities) can establish their own "European" Funds. They can be used to cover costs incurred for project-proposal development. These funds can be supported from EU-funded project budgets, notably the portion thereof allocated to cover administrative costs. Establishment of grant-awarding scheme for mobility that will facilitate partnership development and identification of networking and joint project possibilities is yet another useful support tool that should be taken into consideration.

⁷⁷ For more information, visit: http://ec.europa.eu/dgs/education_culture/eve/.

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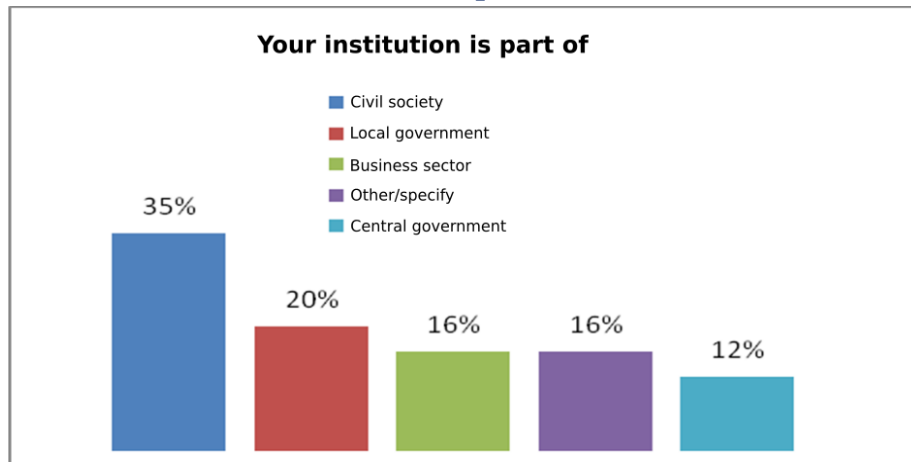
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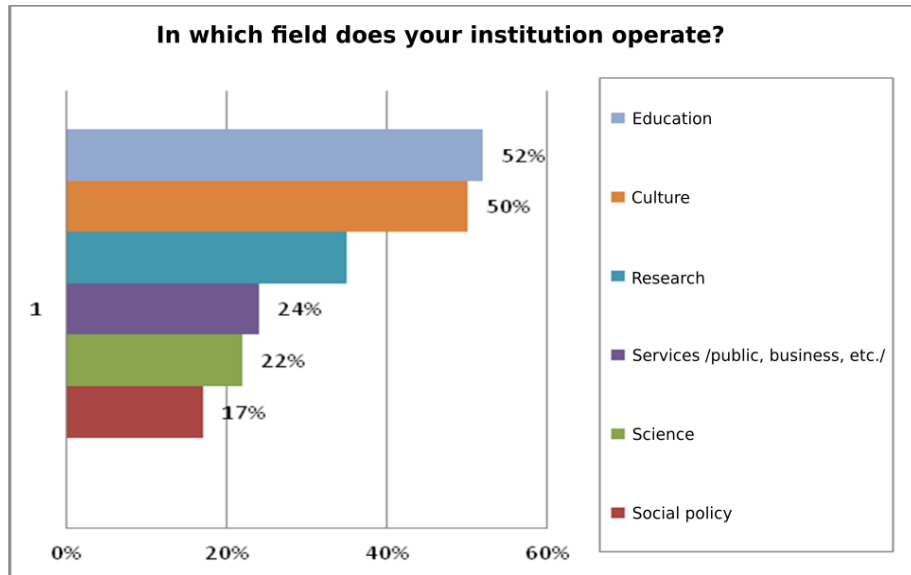
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- MEMORANDUM OF UNDERSTANDING between the European Community and the Republic of Macedonia for the association of Republic of Macedonia to the Community Programme for Employment and Social Solidarity, PROGRESS;
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ANNEX: Charts and Tables

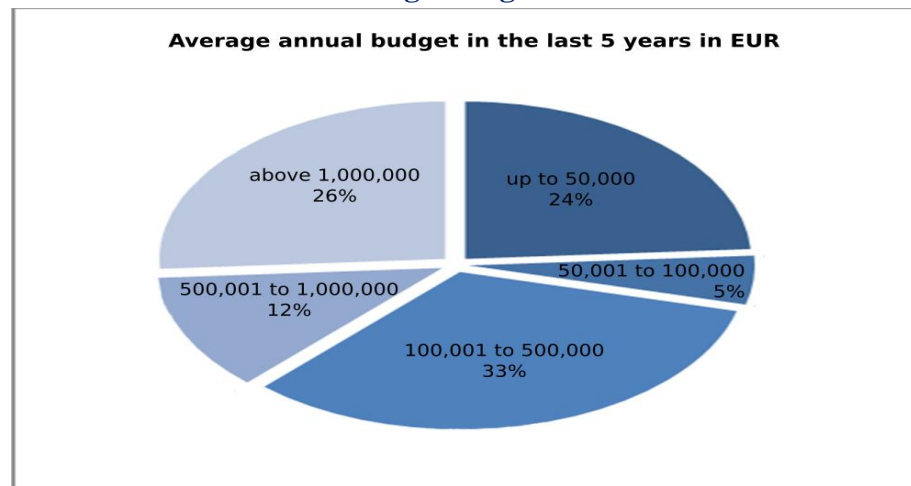
1. Chart 1: Sector of Operation



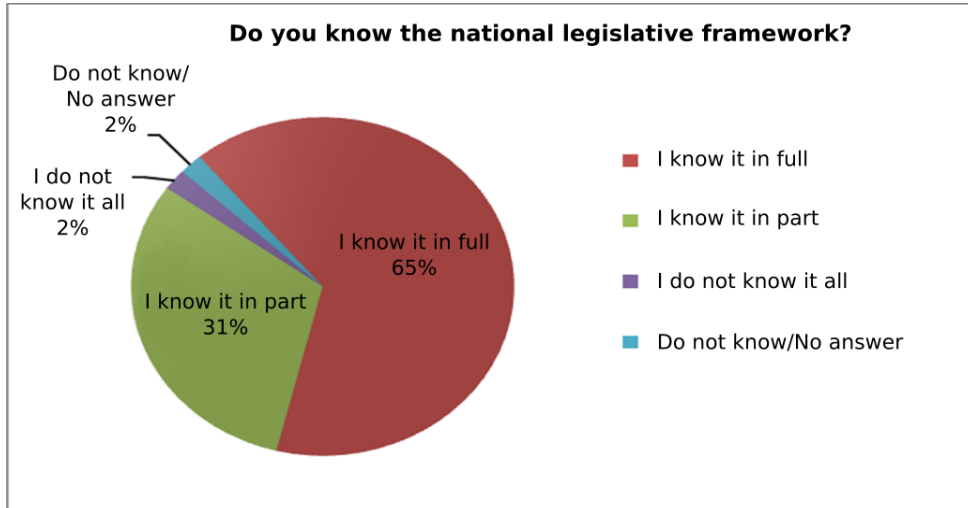
2. Chart 2: Field of Operation



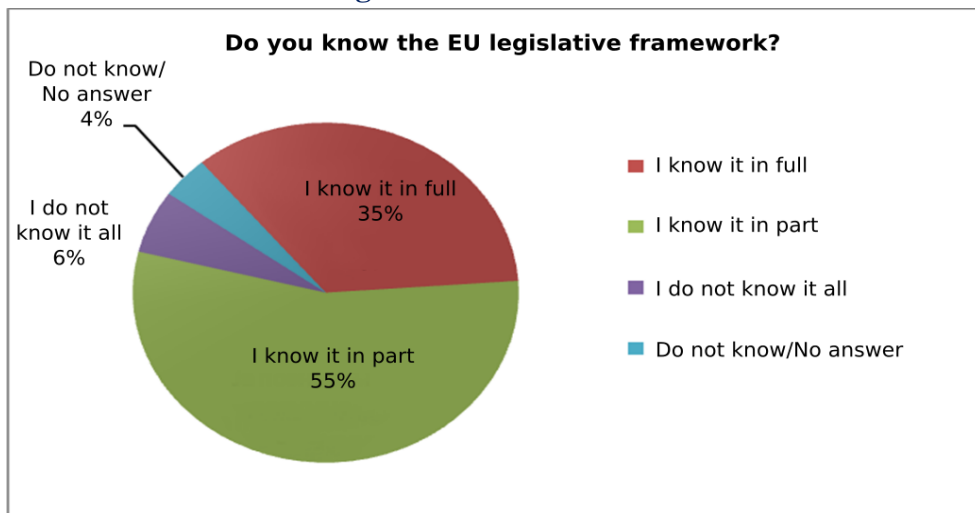
3. Chart 3: Average Budget



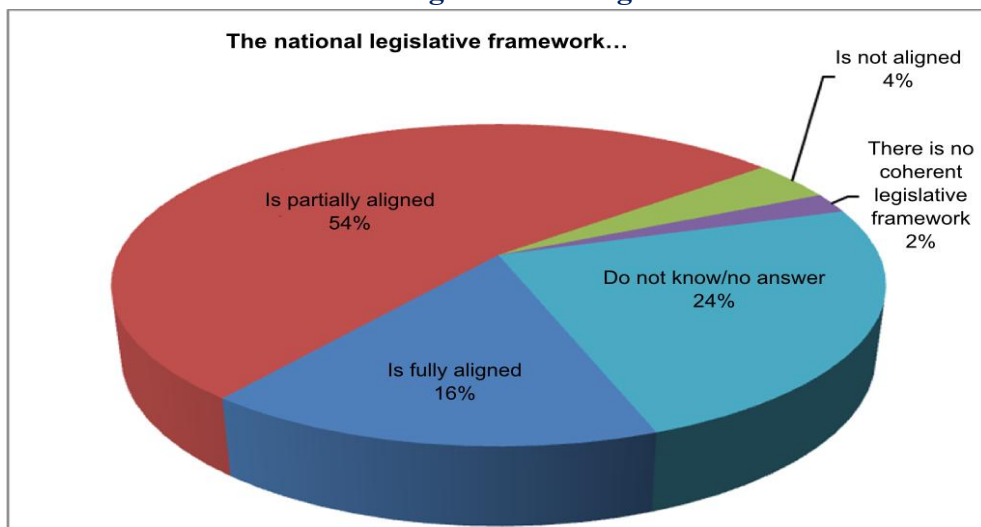
4. Chart 4: National Legislative Framework



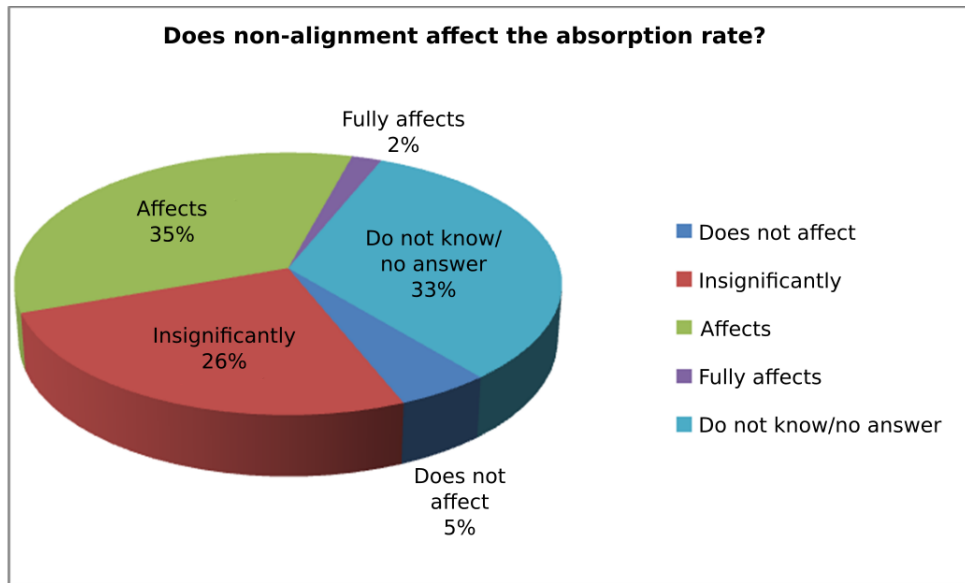
5. Chart 5: EU Legislative Framework



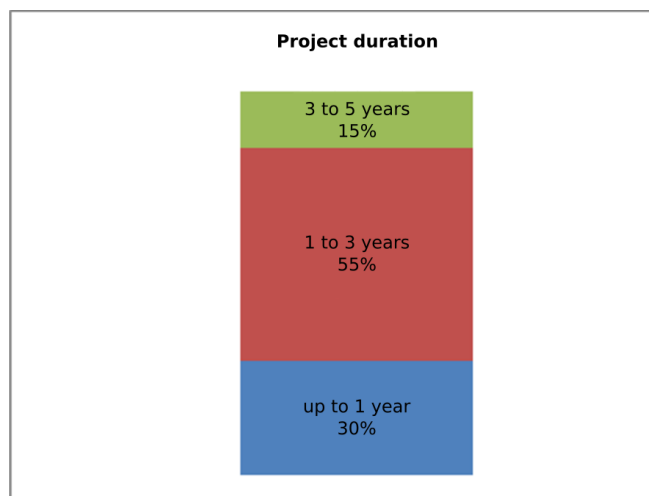
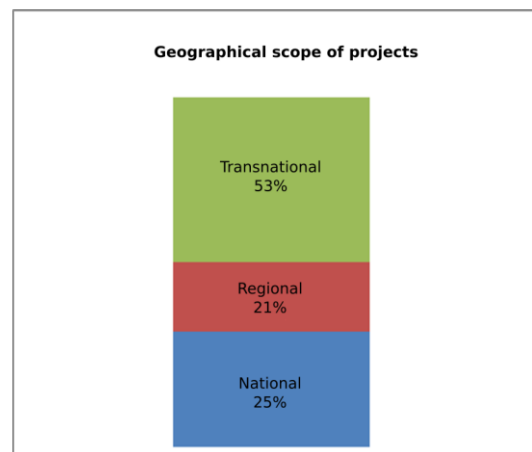
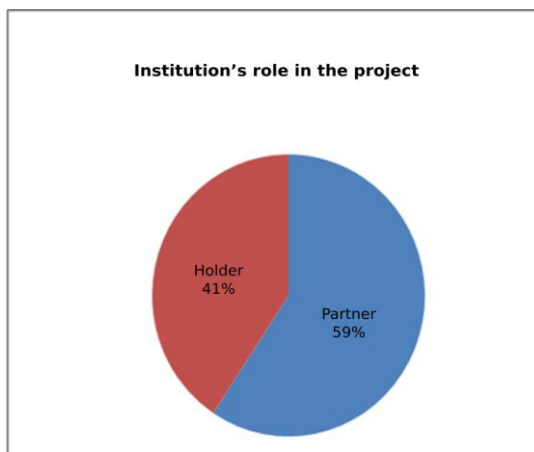
6. Chart 6: National Legislation's Alignment with EU Framework



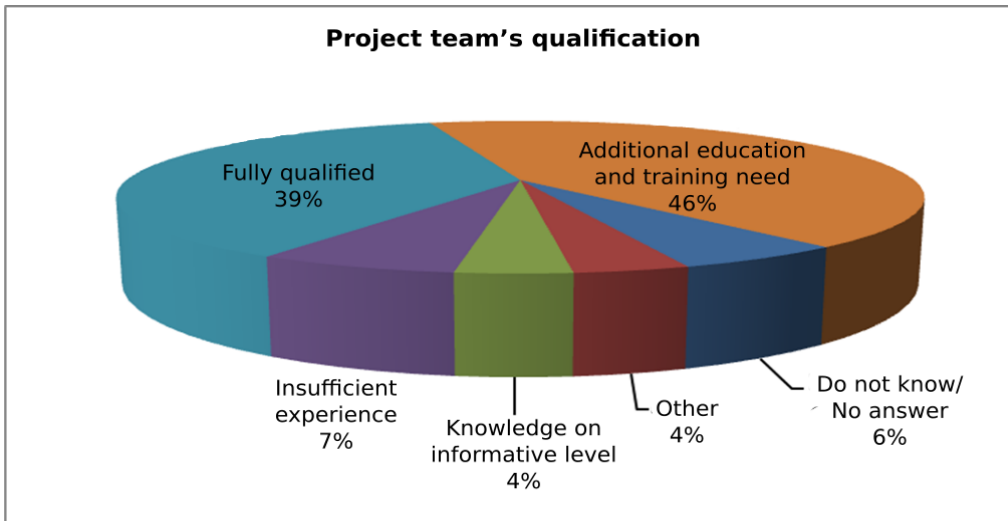
7. Chart 7: Non-Alignment Effects on Absorption Rates



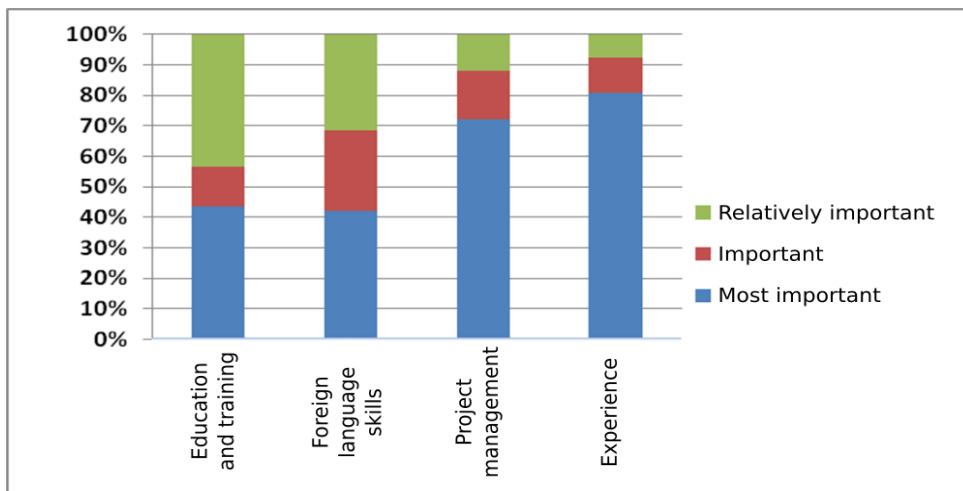
8. Charts 8a, 8b and 8c: Institution's Role, Geographic Scope and Project Duration



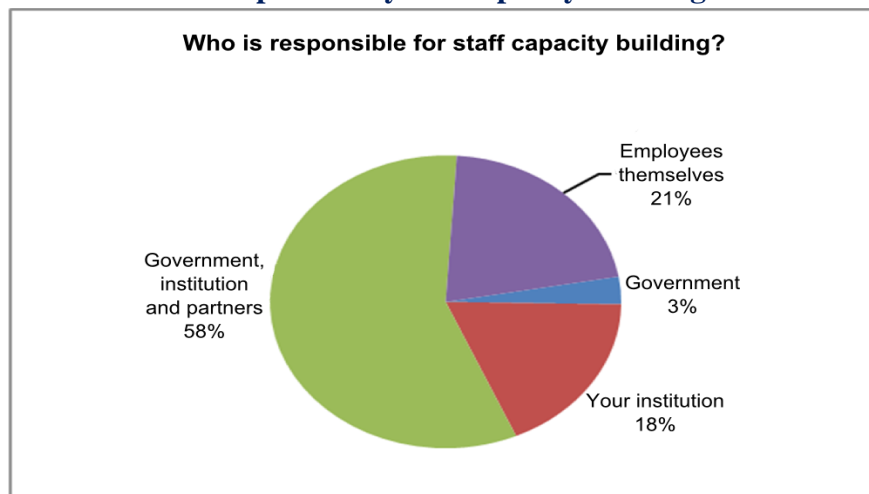
9. Chart 9: Staff Ability for Project Development and Implementation



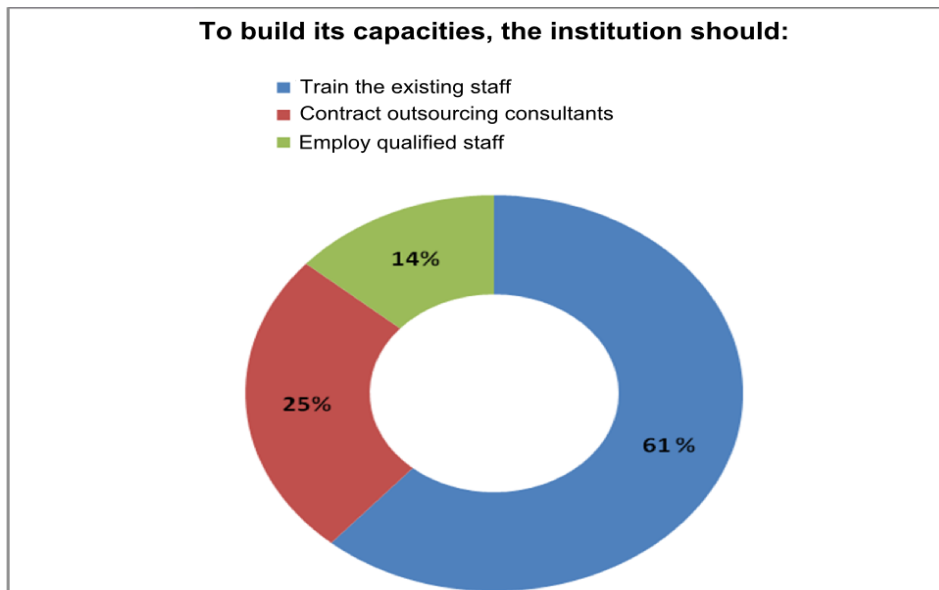
10. Chart 10: Staff Weaknesses and Importance



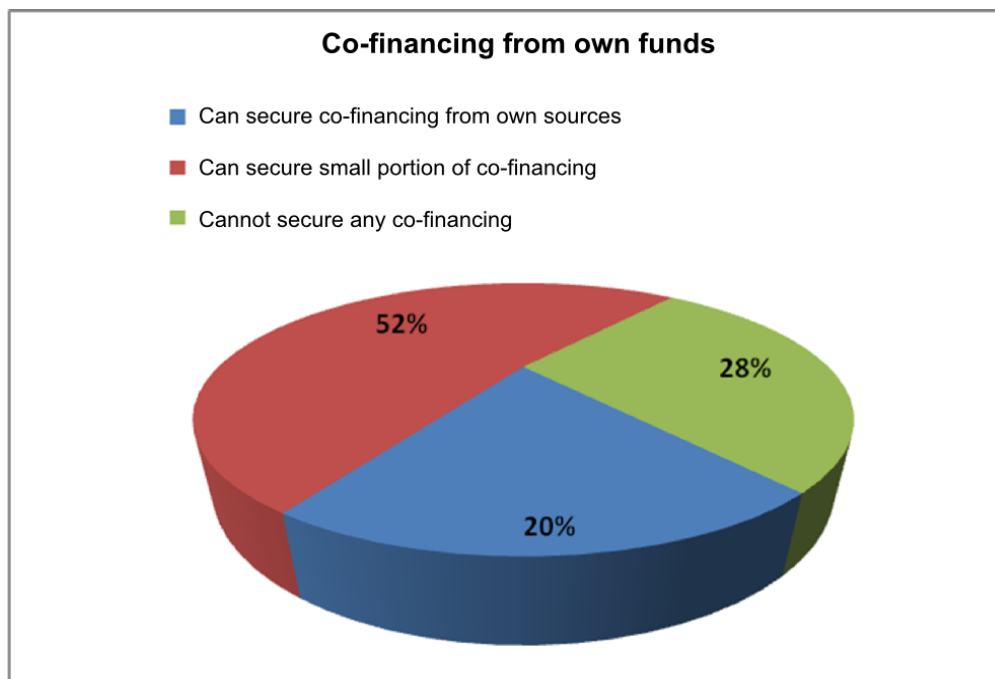
11. Chart 11: Responsibility for Capacity Building



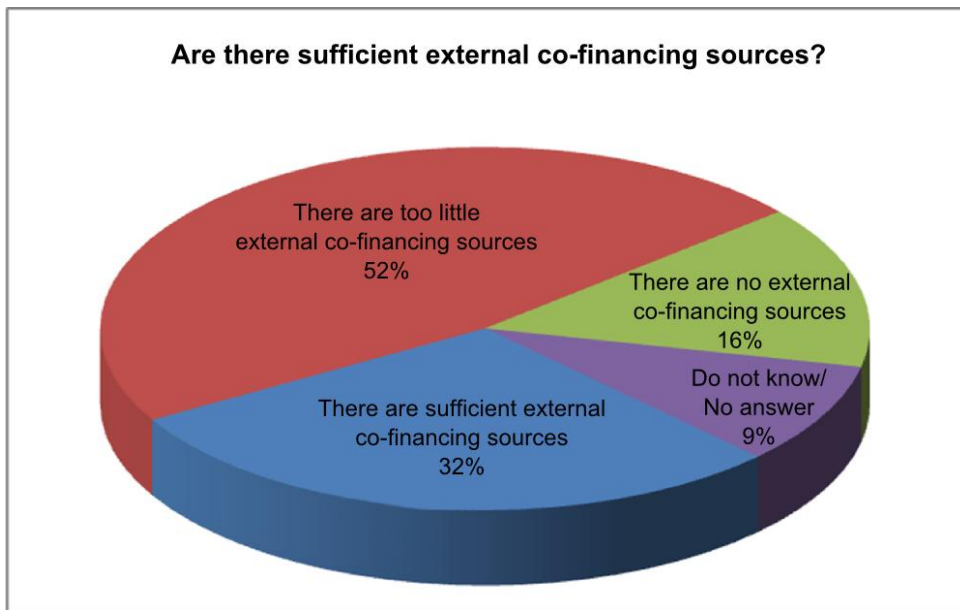
12. Chart 12: Staff Capacity Building for the Institution



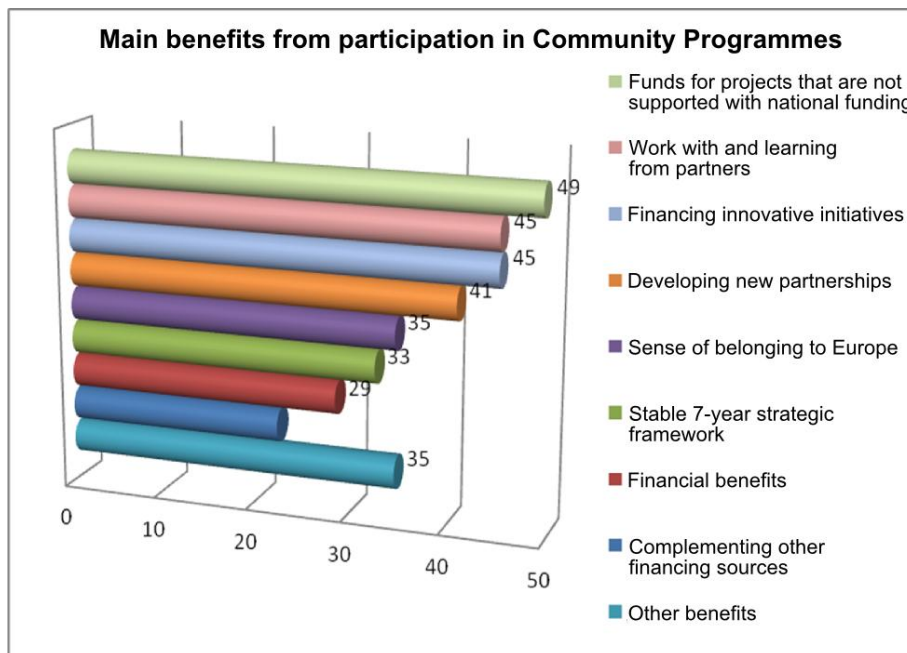
13. Chart 13: Assessment on Institution's Financial Ability



14. Chart 14: External Co-Financing Sources



15. Chart15: Benefits from Participation in Community Programmes



16. Table 6: Structure of FP 7

<i>Specific Programmes</i>	<i>Research goals</i>	<i>Research topics/areas</i>	<i>Activities/schemes</i>	<i>Budget in billion EUR</i>
<i>Cooperation</i>	Supports translational cooperation between universities, the industry, research centres and public institution in and beyond Europe, for the purpose of attaining advantage/leadership in key scientific and technology areas;	1. Health; 2. Food, agriculture and fisheries, and biotechnology; 3. ICTs; 4. Nanosciences, nanotechnologies, materials and new production technologies; 5. Energy; 6. Environment (including climate change); 7. Transport (including aeronautics); 8. Socio-economic sciences and the humanities; 9. Space; and 10. Security;	1. Collaborative research: European Excellence; 2. Coordination between national research programmes; 3. Joint Technology Initiatives; 4. Technology Platforms;	32.412
<i>Ideas</i>	Strengthening excellence, dynamics and creativity in European research; increasing Europe's attractiveness for excellent researchers and for investment in industrial research, by means of competitive European structure for financing "frontier research" of individual teams;	The European Research Council (ERC) is an independent scientific council that implements the <i>Ideas</i> programme. ERC supports investigator-driven projects for "frontier research", or the so called bottom-up approach. Projects are implemented by individual teams in all areas of research supported by grant schemes. The sole criterion for selection is excellence.	1. ERC's starting grants for young and established researchers; 2. ERC's advanced grants for excellent and renowned researchers; 3. ERC's synergy grants intended for small groups of excellent researchers; 4. ERC's grants to test concepts intended for ERC beneficiaries;	7.5
<i>People</i>	Quantitative and qualitative strengthening of human potential in research and technology in Europe, by stimulating people to enter into the profession of researcher, encouraging European researchers to stay in Europe, and attracting to Europe researchers from the entire world, making Europe more attractive to the best researchers. The ultimate strategic goal is for Europe to become more attractive for researchers.	<i>Marie Curie</i> actions that support training, mobility and carrier development. Actions are intended for all researchers, of all age, at any stage in their carriers, from public and private sector, as well as for young and women researchers, in order to stimulate further development of their research carriers.	1. Initial training to improve carrier perspectives of young researchers; 2. Life-long training for experienced researchers, in order to acquire new skills; 3. Industry-academia pathways and partnerships to stimulate intersectoral mobility; 4. International dimension to strengthen EU researchers' carrier and attract research talents from outside Europe, and to foster mutually beneficial research cooperation; 5. Specific actions to support removing obstacles to mobility and carrier development;	4.75

<i>Specific Programmes</i>	<i>Research goals</i>	<i>Research topics/areas</i>	<i>Activities/schemes</i>	<i>Budget in billion EUR</i>
<i>Capacities</i>	Enhancing research and innovative capacities throughout Europe and ensuring their optimal use.	1.Supporting coherent development of policies; 2. Complementing the <i>Cooperation</i> programme; 3. Contribution to EU policies and initiatives to improve the coherence and impact of Member States policies; 4. Finding synergies with regional and cohesion policies, the Structural Funds, education and training programmes and CIP;	1. Research infrastructure; 2. Research for the benefit of SMEs; 3. Regions of knowledge and support for regional research-driven clusters; 4. Research potential of Convergence Regions; 5. Science in society; 6. Support to the coherent development of research policies; 7.International cooperation;	4.097
<i>Joint Research Centre – JRC (non-nuclear research)JR</i>	JRC’s main goal is to reinforce its customer-driven orientation and its already strong connections with the scientific community, by maintaining an integrated approach to its main tasks, the provision of scientific and technological support to policies. In particular, it will engage in activities aimed at consolidating growth and security and ensuring sustainable development.	JRC provides customer-driven scientific and technical support to the concept, development, implementation and monitoring of EU policies. It is a reference centre for issues in the field of science and technology and serves the interests of Member States, while at the same time remaining independent of special interests. JRC implements direct non-nuclear research in four broad policy areas.	1. Prosperity in a knowledge-intensive society; 2. Solidarity and responsible resource management; 3. Security and freedom; 4.Europea as a world partner;	1.751

Macedonian Centre for European Training (MCET) is a non-governmental, non-profit, non-partisan think-tank organisation established in December 2002 by 26 EU trainers, certified by InWEnt from Bonn and the Institute for European Politics from Berlin, Federal Republic of Germany. The mission of MCET is to support the accession of the Republic of Macedonia to the EU by means of professional training, consultancy, regional cooperation, advocacy and policy development.

Since its establishment, MCET has delivered more than 700 days of training on various EU topics to more than 4600 representatives from the public administration, media, civil society organisations, judges and prosecutors, political party members, local government administrations etc.

In the last 3 years, MCET changed its focus from a training institute to a think-tank organisation hoping to mitigate the apparent lack of expertise in the country in the field of policy-making in line with EU. Recent policy briefs published are: "Lisbon-Skopje-Thessalonica: Five Reasons Why Macedonia Should Start Negotiations", "Eight Benchmarks – Day After", "A Council, A Bit of Money, and Lots, and Lots of Friends", "On the Way to the EU – Monitoring the Implementation of the Equal Opportunities Directives in Southeast Europe", "Following the Leader", "Former, Nameless or..." etc.

MCET is also watching the accession process and so far it has produced 10 reports which can be downloaded from our website. <http://mcet.org.mk>

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