

Small Enterprise Development in the former Yugoslav Republic of MACEDONIA



An overview
May 2007



**Small and Medium-Size Enterprise Development –
Government and Private Sector**

An EU-funded project managed by the European Agency for Reconstruction
implemented by GFA Consulting Group, Hamburg/Germany

Small Enterprise Development in the former Yugoslav Republic of MACEDONIA

An overview

May 2007



**Small and Medium-Size Enterprise Development –
Government and Private Sector**

An EU-funded project managed by the European Agency for Reconstruction
implemented by GFA Consulting Group, Hamburg/Germany

© 2006 **European Commission**

The findings, conclusions and interpretations expressed in this document are those of the authors and can in no way be taken to reflect the policies or opinions of the Government of the former Yugoslav Republic of Macedonia or the European Commission and/or its agencies.

This publication has been produced by the Small and Medium-sized Enterprise Development Project (www.SMEDP.org.mk), an EU-financed project managed by the European Agency for Reconstruction and implemented by GFA Consulting Group.

Authors

Dr. Ricardo Pinto (research coordinator and author)
Stratagem Consulting International, www.stratagem-consulting.biz

Mr. Zivko Dimov (data collection, analysis)
TED Consulting, www.tedconsulting.com

Dr. Vesna Stojanova (data collection, analysis)
Faculty of Business Economy, www.fbe.edu.mk

Dr.-Ing. Heinrich Poell (conception and editor)
Team leader SMEDP, heinrich.poell@smedp.org.mk

Contents

1. The Policy Framework.....	10
1.1 Macroeconomic situation.....	10
1.2 SME dynamics.....	11
1.3 The SME Strategy 2007 – 2013.....	15
1.4 The SME Programme 2007 – 2010.....	16
2. The Institutional Framework.....	19
2.1 Actors on the National Level.....	19
2.2 The SME support infrastructure.....	22
3. Agency for Entrepreneurship Support (APPRM).....	24
3.1. Mandate and activities of APPRM.....	24
3.2. Special focus: Voucher Scheme.....	26
4. The Business Environment.....	28
4.1 Introduction.....	28
4.2 Business Registration and De-Registration.....	28
4.3 One-stop Shop system.....	29
4.4 Licenses, Permits and Inspections.....	31
4.5 Business Development Services and Consultancy.....	32
5. Enterprise Competitiveness.....	36
5.1 Current Situation.....	36
5.2 Clusters.....	39
6. Financial instruments for the SME sector.....	41
6.1 Introduction.....	41
6.2 Commercial Bank Lending.....	42
6.3 Special Credit Lines for the SME sector.....	44
6.4 Macedonian Bank for Development Promotion (MBDP).....	45
6.5 Private Guarantee Funds.....	46
6.6 Other Financial Instruments.....	47
6.7 Equity Finance and Business Angels.....	47
6.8 Future Developments.....	48
7. Donor activities.....	51
References.....	55

Annex: Addresses and Contact Details	57
a) Government and State bodies.....	57
b) Donors and donor projects	61
c) Domestic Banks.....	68
d) Other Financial Institutions	70
e) Business Associations relevant to SME sector.....	72
f) Service providers for SMEs.....	77
g) Management Consultants.....	80

Abbreviations

APPRM	Agency for Promotion of Entrepreneurship
BDS	Business Development Services
BSO	Business Support Organisations
CC	Candidate Country (for EU accession)
CIP	Competitiveness and Innovation Framework Programme
CPI	Consumer Price Index
EAR	European Agency for Reconstruction
EC	European Commission
EICC	Euro Info Correspondence Centre
ESA	Enterprise Support Agency
EU	European Union
EU15	EU Member States prior to May 2004
EU25	EU Member States after May 2004
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GTZ	Gesellschaft für Technische Zusammenarbeit (German Development Agency)
HRDF	Human Resource Development Fund
ICT	Information and Communication Technologies
IPA	Instruments of Pre-Accession (EU)
k	Thousand(s)
LEDO	Local Economic Development Office
m	Million(s)
M+E	Monitoring and Evaluation
MASIT	Macedonian Association of IT enterprises
MBDP	Macedonian Bank für Development Promotion
MCA	Macedonian Competitiveness Activities
MCA2000	Macedonian Consulting Association
MoE	Ministry of Economy
N/A	not applicable
NBRM	National Bank of the Republic of Macedonia
NECC	National Entrepreneurship and Competitiveness Council
PMO	Prime Minister's Office

PPD	Public-Private Dialogue
RESC	Regional Enterprise Support Centre
SEE	South East Europe
SME	Small and Medium-size Enterprise
SMEDP	Small and Medium-size Enterprise Development Project
STI	Science, Technology and Innovation
TA	Technical Assistance
UNDP	United Nations Development Programme
UNER	Unique National Electronic Register
USAID	United States Agency for International Development
VCS	Voucher Scheme for SME support (APPRM)
WG	Working Group

Introduction

The last few years have seen significant developments in the field of small and medium enterprise development in the former Yugoslav Republic of Macedonia.

The institutional architecture for the support of the SME sector has taken shape in the form of the Department for Entrepreneurship and Competitiveness in the Ministry of Economy and the Agency for Entrepreneurship Support (APPRM), responsible respectively for defining SME policies and their implementation. APPRM also coordinates the SME support infrastructure, which consist of a wide spectrum of institutions – business centres, consultancies, incubators, technology transfer centres, etc. – that offer services to small and medium enterprises on the local level. In addition, the recently established SME Forum provides a platform for dialogue and cooperation between the Government and private sector business organisations, and the wider civil society.

On the policy level there have also been major developments. The country has attained EU Candidate Country status in late 2005, and a new Government was elected in mid-2006 with a manifesto that focuses sharply on enterprise development and the promotion of foreign and domestic investment. This has decisively changed the nature of small enterprise policy, which in turn is reflected in the new SME Strategy 2007–2013 and the new SME Programme 2007–2010 that have been adopted by the Government in early 2007.

These changes, combined with the need to provide information in a succinct and informative manner, have led to the creation of the present publication. The brochure has been prepared with three target audiences in mind:

- Entrepreneurs wanting to gain an overview of the situation of the SME sector;
- Foreign businesspeople and visitors interested in understanding the SME structures in the country;
- Donor agencies interested in developing projects and programmes relevant to the local environment.

The aim of the publication is to summarise the developments and challenges for the SME sector, list key stakeholders and projects, and present an overview of the regulatory environment and of the available support and financing schemes for SMEs. The approach of the authors was to provide a summary and quick overview of all major issues affecting the SME sector, rather than detailed analyses of each dimension of SME development. However, each section

provides references, links to relevant websites and contact details that will enable the reader to obtain more detailed information, if so required.

For further information, two main points of contact are available:

For general information and policy issues:

Mr. Blerim Zllatku
State Advisor on Entrepreneurship
Ministry of Economy
Jurij Gagarin 15
1000 Skopje
T: +389 2 309 3543
blerim.zllatku@economy.gov.mk

Mr. Sasha Sindiloski
Head, SME Department
Ministry of Economy
Juri Gagarin 15
1000 Skopje
T: +389 2 309 3541
sasa.sindiloski@economy.gov.mk;

For contacts and information on specific projects, etc.:

Mr. Avdija Pepic
Director
Agency for Entrepreneurship Promotion
Nikola Vapcarov 7
1000 Skopje
Tel: +389 2 312 0132
Email: apprm@apprm.org.mk

1. The Policy Framework

1.1 Macroeconomic situation

Following a decade of sluggish growth, due both to external shocks and internal difficulties, the economic performance of the country is now improving. Economic growth (in terms of real GDP) was 4% in 2005, driven primarily by strong exports which in 2004 and 2005 increased by 20% each year; for 2006, the growth rate is expected to be around 4.5 %. This represents the highest real growth rates in the country since its independence in 1991.

Macroeconomic stabilisation continued in 2005, and a conservative fiscal policy and a stable exchange rate have kept inflation largely under control. Since 2002, annual inflation has averaged less than 1%, but it increased to 3.4 % in mid-2006, largely due to external pressures. Putting this in context, the inflation in the Euro zone was 2.2% in 2005, and remained largely constant during 2006.

In the past, persistent current account deficits created reserve shortages and led to rising external debt. The external position has strengthened now, with gross reserves rising from € 700 m at the end of 2004 to around € 1,200 m by mid-2006. This has enabled the National Bank (NBRM) to cut interest rates (prime lending) from 10% in October 2005 to below 6% in May 2006. Commercial banks have matched these rate cuts to a certain degree, and the credit volume has expanded, albeit from a low base. However, much of the increased lending goes into consumer credit and is denominated in foreign currency.

Despite these recent improvements, the country still faces considerable challenges in achieving sustained rapid growth and lowering unemployment. Unemployment was 37% in 2005 (EU25 average: 8.6%), and employment figures have remained more or less stagnant since 1995. With two-thirds of the unemployed being out of work for more than four years, high youth unemployment and a low labour force participation rate, much of the unemployment is structural in nature and reducing it is proving rather difficult. Nevertheless, the unemployment rate is starting to fall as the Agency for Employment has started to implement an active labour market policy.

Foreign Direct Investment (FDI) has been recovering since 2002 and reached US\$151 million in 2004, after which it declined again somewhat to \$113 million in 2005. Total FDI in the country is about US\$ 2.2 b or less than US\$ 600 per capita. This is lower than the regional average and substantially lower than in neighbouring Bulgaria and Romania. In late 2006, the Government embarked on an ambitious programme to attract more foreign investment into the country, focusing on specific growth sectors.

1.2 SME dynamics

Small and medium enterprises (SMEs in the following) are defined by the *Law on Trade Companies* (2004). The National definition of SMEs is broadly, but not entirely, compatible with that of the EU (see Table 1.1 below). The Ministry of Economy is working to eliminate discrepancies between the national and the EU definition of SMEs as well as remaining discrepancies in the definition of SMEs in various National laws.

Table 1.1: Comparison of National and EU Definitions of SMEs

	EU Definition	Law on Trade Companies (2004)
Micro	Up to 10 employees	Up to 10 employees
	Annual turnover \leq € 2 million	Annual turnover $<$ € 50.000
	Balance sheet total \leq € 2 million	Not more than 80% of the gross income should come from one client
Small	Up to 50 employees	Up to 50 employees
	Annual turnover \leq € 10 million	Annual turnover $<$ € 2 million
	Balance sheet total \leq € 10 million	Balance sheet total $<$ € 2 million
Medium	Up to 250 employees	Up to 250 employees
	Annual turnover \leq € 50 million	Annual turnover $<$ € 10 million
	Balance sheet total \leq € 43 million	Balance sheet total $<$ € 11 million

Source: Ministry of Economy.

As shown in table 1.2, the number of private enterprises has been steadily increasing since independence. This reflects the increasing importance of the private sector's contribution to GDP, employment, exports, etc.

Table 1.2: Number of Active SMEs (1990-2005)

	1991	1994	1997	1999	2000	2001	2002	2003	2004	2005(e)
SMEs	9,703*	28,551*	32,934*	31,204*	33,151	34,991	36,963	39,096	41,517	44,327
All	10,270	29,157	33,455	31,795	33,269	35,110	37,074	39,199	41,590	44,667

Source: 1991-2002: State Statistics; from 2003: Central Registry.

Note: (e) Data for 2005 are preliminary.

The total number of registered enterprises in the country is ca. 180,000; however, only about 25 % of those are active in the sense of having undertaken economic activities during the year in question. As in most other countries, SMEs represent

the vast majority of all enterprises. According to data from the Central Registry, of the almost 45,000 active firms in the country, 43,837 or 98.8% were small enterprises (as defined by the Law on Trade Companies), with the remaining number of 830 companies made up of 490 medium and 340 large enterprises.

The number of active SMEs translates into an SME density of 22 per 1,000 inhabitants. This compares by and large with average figures for the SEE region (23 per 1,000 inhabitants), but is far below the EU15 average of 45 per 1,000 inhabitants. SMEs are also important in terms of employment creation, accounting for 80% of the total employment in the country in 2005.

Slightly over half of the of active enterprises are in the wholesale and retail trade sector. Other important sectors include manufacturing (17.3%), transport, storage and communication (9%), and construction. These four sectors comprise over three-quarters of the total number of active enterprises. (See Table 1.3 below.) The four sectors in which most SMEs are operating are also the biggest contributors to employment (65%).

Table 1.3: Active Enterprises by Sector (2005)

Economic Sector	% of total SMEs
Trade	50.1%
Manufacturing	17.3%
Transport and Communication	9.0%
Construction	7.0%
Others	16.6%
Total	(100%)

Source: Ministry of Economy

The crafts sector comprises small scale production and service companies in construction and other sectors. Recent legislative changes to the *Law on Craftsmanship* (2004) have greatly simplified the conditions for start-ups in this category. For registration, it is only necessary to have a crafts diploma and office/work facilities. There is a tax free period of three years after the establishment of a new crafts enterprise, and thereafter a simplified income tax involving progressive rates of 15%, 18% and 24% (Personal Income Tax Law, 44/2002). Moreover, the Government has announced that both Personal Income Tax and Corporate Tax will be levied at a flat rate of 12 % in 2007, to be reduced to 10 % from 2008.

Crafts are organized in 11 regional Crafts Chambers, the most active of which are those located in Skopje, Strumica, Prilep, Bitola, Tetovo and Kumanovo. In 2005 a National Crafts Chamber was registered in Gevgelija, however, it is not yet operational. Under the old Law on Craftsmanship of 2001, 7,500 craft enterprises were registered. The annual growth rate of these figures was 1.4% during 1995-2001. More recent statistics do not exist for the crafts sector.

Taking these figures together, the overall number of active enterprises in the categories micro, small, medium, crafts and small traders can be estimated at about 62,500 for the end of 2005, comprising 44,300 active SMEs, 8,200 crafts¹ and an estimated 10,000 individual traders. Based on this estimate, the structure of all active business entities is illustrated in Table 1.4.

Table 1.4: Estimated Number of Active Enterprises (2003-2005)

	Number of enterprises			Share (%)
	2003	2004	2005	2005
Micro and small*)	55,267	61,044	62,000	98.7
Medium enterprises	475	483	490	0.8
Total SMEs	55,742	61,527	62,490	99.5
Large enterprises	459	368	340	0.5
Total enterprises	56,201	61,895	62,830	100

Sources: MoE (SME Department), MoE (Unit for Handicraft Development), State Statistical Office and Association of Handicrafts.

Note:) Comprises estimated figures for crafts and small traders.

As previously discussed, the density of SMEs is 22 per 1,000 inhabitants if based on 44,100 active enterprises, but this figures increases to 32 per 1,000 inhabitants if the total number of active small business entities (62,500) is considered. Regarding SME mortality, each year about 5,000 to 6,000 new enterprises are created and some 2,000 are closed down (through bankruptcy, liquidation, voluntary termination, etc). At the same time, restructuring continues in the medium and large sector, where many “large” companies have entered the “medium” category, and former “medium” firms have become small.

¹ Estimate based on the number of crafts enterprises in 2001 and historical growth rates of 1.4 % p.a.

1.3 The SME Strategy 2007 – 2013

Already in 2002 the Ministry of Economy has published an SME Strategy paper covering a ten year period (2002 to 2013), together with an action plan for implementation of the strategy for the period 2003 to 2006. The overall approach to the development and support for the SME sector that has been outlined in this Strategy paper remains valid. However, a number of developments have made it necessary to revise the SME Strategy and Programme:

- A new Government was elected in July 2006 with an election manifesto and programme which places strong emphasis on increasing the competitiveness of the economy, and on promoting domestic and foreign investment; the Government moreover recognises the important role that the SME sector must play in achieving these objectives.
- With attaining Candidate Country status for accession to the European Union (EU) in late 2005, the harmonization of the National legislation and regulatory framework with EU norms and standards has become a priority. This pertains in particular to numerous laws and regulations affecting the SME sector. Candidate Country status also requires that the Government implement the EU Charter for Small Enterprises, and pursues the goals of the Lisbon Agenda.
- New EU initiatives such as the EU Commission's *Instruments for Pre-Accession Assistance* (IPA) and the *Competitiveness and Innovation Framework Programme* (CIP) present new challenges, in particular in relation to Science, Technology and Innovation (STI) and Information and Communications Technology (ICT) as a means of enhancing the competitiveness of SMEs. The Government must respond proactively to these challenges, in order to create a business environment in which SMEs not just survive, but thrive and are enabled to compete within the EU markets.

Therefore, the SME Department undertook a major revision of the existing strategy paper in the course of 2006, leading to the revised SME Strategy 2007 – 2013. This document has identified the following key areas for policy improvements in relation to the SME sector:

- ◆ **the legal, regulatory and institutional environment**
- ◆ **the business climate**
- ◆ **support to small businesses**
- ◆ **access to finance**
- ◆ **taxation for SMEs**

- ◆ **access to Information and Communication Technology (ICT)**
- ◆ **access to Science, Technology and Innovation (STI)**
- ◆ **education, training and promotion of entrepreneurship**

The new SME Strategy was approved by the Government in early 2007, after a process of dialogue and consultation with private sector organisations and other stakeholders. The document is available at www.smedp.org.mk.

1.4 The SME Programme 2007 – 2010

The SME Strategy defines the broad policy framework for the development of the SME sector in the country, based on an analysis of the current situation and the vision the Government wants to pursue for the year 2013. The associated SME Programme covers the period from 2007 to 2010 and sets out a detailed analysis of the problems and challenges confronting the SME sector, and defines the measures that should be taken to overcome these challenges and foster growth and development of SMEs.

The requirements of the new SME agenda in turn call for a reorientation of the Government's support activities for the SME sector; focusing now on the following components:

- 1. Institutional architecture**
- 2. Business environment**
- 3. Finance and taxation**
- 4. Innovation and competitiveness**

In addition, the new SME Programme seeks to ensure compatibility with the requirements of the *Acquis Communautaire* relating to SMEs, and pursues the implementation of the *European Charter for Small Enterprises*, in line with the renewed Lisbon agenda of the European Commission and with the EU's *Competitiveness and Innovation Framework Programme 2007 – 2013*. This programme emphasizes entrepreneurship, Science, Technology and Innovation (STI) and Information and Communication Technologies (ICT) as the major elements for economic growth.

The SME Programme (2007-2010) was prepared in conjunction with the revision of the SME Strategy during the second half of 2006, through a process of dialogue and consultation to ensure that the SME Programme reflects the real needs and priorities of the SME sector. The main steps in this process were:

- The SME Programme was drafted on the basis of detailed research on issues of particular importance for SME development, combined with the vision, analysis and reform agenda of the SME Strategy²;
- The new Programme incorporates the requirements of EU accession as far as SMEs are concerned, concentrating on the *Acquis*, the EU Charter for SMEs, the CIP and the new IPA financing programmes;
- The draft SME Programme was circulated to the relevant ministries and governmental bodies for comment, feedback and approval;
- Detailed feedback and input was also sought from the private sector via the SME Forum³, involving the key business associations in the country. The SME Forum established a dedicated working group specifically to provide input to the SME Strategy/Programme;
- The draft SME Strategy and Programme documents were discussed with businesspeople and other stakeholders in six "road show" events in November/December 2006 in the following locations: Tetovo (north-west), Prilep (centre), Ohrid (south-west), Stip (east) and Kumanovo (north).

The Programme was finally adopted by the Government in early 2007, together with the corresponding SME Strategy. The document is available on www.smedp.org.mk.

During the implementation period of the SME Programme (i.e., 2007 – 2010), Annual Action Plans will be prepared by the Ministry outlining the objectives, prioritised measures (projects) and institutional responsibilities, and the timelines for implementation of these measures. On the basis of these Action Plans, the MoE will adopt Annual Financial Plans, which will define the financial resources for the implementation of the proposed measures, as well as the sources of finance. The Action Plans will be implemented with financing from the state budget; in addition, the Government will also seek international support from bilateral and multilateral donors.

² The reports and studies that have resulted from this research are available on www.smedp.org.mk.

³ See below, section 2.1.c.

2. The Institutional Framework

2.1 Actors on the National Level

a) *MoE: SME policy making*

The *Department for Entrepreneurship and Creation of Competitiveness* (SME Department in short) at the Ministry of Economy (MoE) is responsible for defining the national SME policy and for monitoring its implementation. Its overall remit is as follows:

- Reporting to the Government on all issues relating to SMEs;
- Creating a favourable environment for SMEs;
- Reviewing the existing regulatory framework for SMEs and drafting new legislation or amending the existing legislation in order to improve it;
- Coordinating with foreign institutions on SME development issues;
- Monitoring support and technical assistance programmes for the SME sector;
- Establishing and updating the National SME Strategy and Programme;
- Liaising with other institutions involved in the improvement of the SME environment.

The SME Department has at its disposal a staff of five and a budget of MKD 30 million (ca. € 500,000). The prospect of accession to the EU, combined with the new Government's commitment to increase the competitiveness of private businesses – the vast majority of which are SMEs – will require a strengthening both of the staff and of the resources of the MoE that are devoted to SME issues.

b) *APPRM: SME policy implementation*

The *Agency for Entrepreneurship Promotion* (APPRM) is responsible for implementing the National SME policy, as set out in the SME Strategy and Programme. The main responsibilities of the APPRM are as follows:

- Implementing the SME Programme of measures and activities to support entrepreneurship and create competitiveness in the small business sector;
- Creating and developing the institutional infrastructure to promote and support entrepreneurship and competitiveness in small businesses;
- Implementing and coordinating SME support from the public sector and from international donor programmes;

- Implementing financial and non-financial support measures for the SME sector.

At the moment, APPRM has a staff of seven and operates on an annual budget of ca. € 135,000. Both the staff and the budget of the agency should be enhanced in view of the emerging challenges of the EU accession process, the increasing levels of competition for the SME sector in both the domestic and the EU markets, and the complex tasks of accessing IPA funds and other EU support.

c) Policy Coordination and Public – Private Consultation

Two key bodies have been developed to ensure collaboration and coordination between the public and the private sector in the implementation of the SME Strategy and Programme:

- The **SME Forum** was established in 2005/2006 as a platform for a public-private dialogue in regard of the design and implementation of the SME policy. The members of SME Form include the MoE and APPRM, the Economic Chamber, the Union of Chambers, the NW Chamber, the Crafts Chamber, NECC, MASIT, several business associations, and a number of bilateral Chambers as observers.

The SME Forum focuses on all issues – political, strategic, legal, regulatory and other – that are of importance to the SME Sector. Working Groups have been established for (i) ICT and Competitiveness, (ii) promotion of entrepreneurship, (iii) contributions to the new Strategy and Programme. The SME Forum has organized over 15 meetings in 2006 to discuss various aspects of SME development and contributes directly to SME policy making.

For 2007, the SME Forum plans a number of concrete initiatives that will address important issues for the SME sector. The Forum will – in cooperation with MoE and APPRM – launch an Entrepreneurship Awareness Campaign, start a “GoDigital” programme for the SME sector, and will promote technology transfer and alternative financing instruments for the SME sector.

- The **National Entrepreneurship and Competitiveness Council (NECC)** was established in 2004 as a link between the Government and the business community; NECC thus represents business interests in general, not just those of SMEs. The mission of NECC is to promote a long-term partnership between the public sector, private sector organisations and civil society, and contribute through this to the economic prosperity of the country. NECC’s primary goals are (i) to prepare recommendations for improving the business environment; (ii) to assist individual companies, enterprise clusters and business associations to develop; (iii) to promote exports of high value

products and services, and (iv) to increase the economic well-being of the society.

Both the SME Forum and the NECC are relatively new organisations and further efforts are needed to increase their contribution to the development of the SME sector.

Moreover, the new SME Strategy proposes to address two further aspects of coordination that are known to require improvement:

- **Inter-ministerial coordination:** Several ministries and agencies of the Government define and implement policies, legislation, regulations, and specific programmes which have an impact upon the SME sector; relevant institutions comprise (a.o.) the PMO, the Ministries for Economy, Finance, Labour and Social Policy, Law, Education and Science, Transport and Communications, the tax administration and the various licensing, inspection and monitoring authorities. The implementation of the SME Programme requires effective inter-ministerial coordination for the proposed measures to be carried out as planned and to achieve their desired impact.
- **Donor coordination:** while substantial additional resources will have to be committed from the state Budget for SME development to implement the new SME Programme (an increase of the budget for the SME Department from € 330,000 to € 2.5 m per annum is mooted for this), donor funding will continue to play an important role in SME support in the foreseeable future. This will require improved coordination of donor activities in the future, especially in the project design stage. Another issue is the continuity of donor support, essential to generate lasting impact.

2.2 The SME support infrastructure

On the local and regional level, there are a number of institutions active in the SME sector⁴:

- **Business Centres:** overall ten regional centres are in operation, including five Regional Enterprise Support Centres (RESCs) located in Skopje, Strumica, Veles, Kumanovo, Bitola, three Enterprise Support Agencies (ESAs) located in Ohrid, Tetovo, Gostivar, the Prilep Region Enterprise Development Agency (PREDA), and one Roma Business Centre in Skopje.
- **Business Incubators:** eight incubators are operating (Prilep, Stip, Makedonska Kamenica, Delcevo, Krushevo, Veles, Ohrid and Strumica) and a youth entrepreneurship incubator (YES) is about to be opened in Skopje.
- **EuroInfo Correspondence Centre (EICC):** provides information and assistance on EU business matters (e.g. EU markets, business cooperation, partner search, EU funding and tenders, EU legislation, EU standards, etc.).
- **Human Resource Development Fund (HRDF)** stimulates the deployment of modern and innovative management training and consulting, by collaborating with companies taking-up such services, with trainers and consultants delivering those services, and with government and international bodies commissioning them. The HRDF has private companies, professional and business associations, chambers and universities as its members, and operates under the guidance of the APPRM.
- **Local Economic Development Centres (LED Centres):** a total of 60 LED Centres are active in the country on the level of individual municipalities or (in some cases) groups of municipal administrations. These Centres are supported by the United States Agency of International Development (USAID) and by the United Nations Development Programme (UNDP).
- **Consultants:** about 120 consultants deliver a wide range of business consulting and business development services (as individuals and/or legal entities); in addition, there are some international consultants active in the country, primarily in auditing and tax advice.
- **Business Associations:** there are at least 15 business associations covering numerous sectors of economic activity, including four with national coverage (Economic Chamber, Chambers of Commerce, North-West Economic Chamber, Chamber of Crafts); some of these organisations have special sections for SMEs.

⁴ Addresses and contact details are available in the Annex.

- **Other organisations:**

- four technology transfer centres (TTCs) – three in Skopje, one in Bitola;
- the *Macedonian Business Resource Centre (MBRC)*

It is these actors that will be primarily responsible for implementing the measures and projects proposed in the SME Programme for the period 2007 – 2010. In this process, they will have to interact with the MoE, APPRM and other government bodies, as illustrated in figure 2.1.

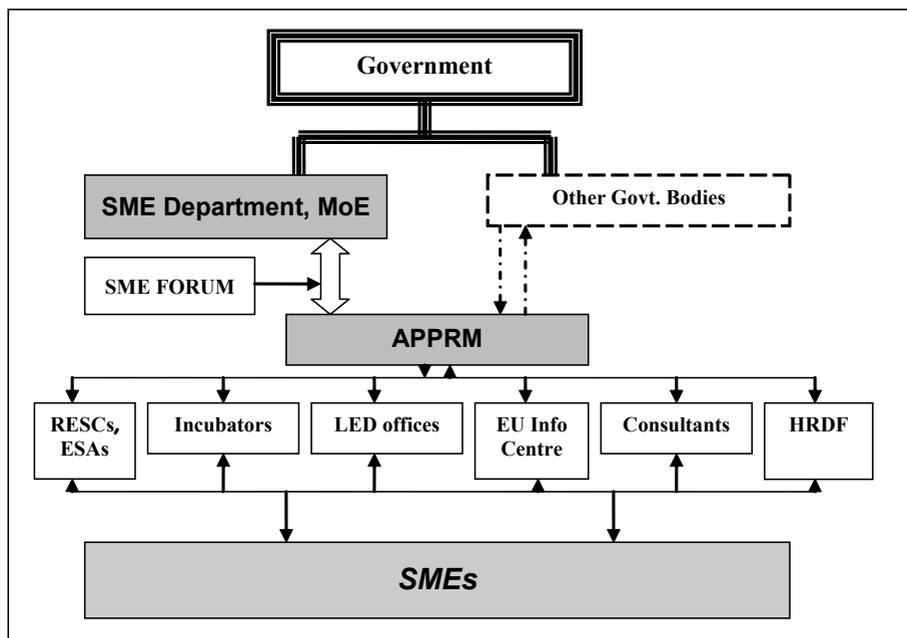


Figure 2.1: SME Institutional Architecture

Note that there are various types of interactions between the players that make-up the SME institutional architecture on the national and local levels. While APPRM operates directly under the supervision and guidance of the SME Department of the MoE, relations between APPRM and the RESCs, ESAs, LEDs etc. are more informal, as these are independent institutions that are pursuing their own agendas and objectives. It is APPRM's task to manage the institutional network,

to coordinate the activities of the various actors, and to provide orientation and direction to all organisations concerned with SME development, thus ensuring a coherent and comprehensive approach to the problems the SME sector faces.

3. Agency for Entrepreneurship Promotion (APPRM)

3.1 Mandate and activities of APPRM

The Agency for Entrepreneurship Support (APPRM) is responsible for implementing the Government's SME policies; these are now set out in the new SME Strategy 2007 – 2013 and the SME Programme 2007 – 2010⁵. APPRM's mission is the promotion of entrepreneurship and small businesses, through the implementation of priority projects that reflect demand-driven areas of intervention in SMEs and Government programmes for entrepreneurship support and SME competitiveness.

The main responsibilities of the APPRM are:

- Creating and developing the institutional infrastructure to support and develop entrepreneurship and competitiveness in the SME sector;
- Implementing and coordinating state and international support for SMEs;
- Promoting entrepreneurship through financial and non-financial forms of support measures;
- Implementing the programme of measures and activities to support entrepreneurship and create competitiveness in the small business.

⁵ On these documents, see sections 1.3 and 1.4.

APPRM currently focuses in its activities on two areas:

- Management of the SME support infrastructure:
 - Establishing and maintaining a database and electronic connection between the various regional support organisations (RESCs, ESAs, etc.)
 - Organizing panel discussions, conferences and business forums
 - Business networking in the country and abroad
 - Conducting cooperation programmes with countries from the region and the wider area
- Support to SMEs and the SME sector:
 - Business networking in the country and abroad
 - Collecting, processing and delivering information on the SME sector
 - Organizing specific training and consulting services
 - Organizing panel discussions, conferences and business forums
 - Implementing cooperation programs with donors and other foreign and National agencies
 - Implementing national development projects through the institutional infrastructure of regional centres and other partners
 - Co-financing of development projects in cooperation with national and foreign investors and donors

Taking the SME Strategy, SME Programme and Annual SME Programmes as the framework for its activities, APPRM prepares half yearly programmes which are submitted to its Supervisory Board / MoE for approval. The focus of its current activities is on the following:

- Preparation of an annual statistical compendium on the SME sector (the so-called SME Observatory)⁶
- Support to the Euro Information Centre and the Innovation Relay Centre
- Support to the Human Resources Development Fund for Entrepreneurship
- Provision of trainings and improvement of the entrepreneurship skills
- Voucher system for subsidised consulting services for SMEs and unemployed persons (see the box below)
- Support to the business incubators
- Cooperation with domestic and international projects
- Promotion activities in relation to the SME sector
- Implementation of the "Info-point" project in cooperation regional centres

⁶ The document is available on the website of the SMEDP project, www.smedp.org.mk.

3.2 SPECIAL FOCUS: VOUCHER SCHEME

The development of the APPRM's "Voucher Scheme" will be a continuing focus of its activities in the future. The idea behind a voucher scheme is to give smes additional purchasing power (in the form of a voucher) to buy business development services (BDS) from accredited providers of such services (mainly individual consultants). By providing SMEs with information on available BDS and a fixed financial incentive to use them, voucher schemes primarily address demand-side constraints, such as information deficits and reluctance on the part of smes to pay for BDS, typically resulting from scepticism about the usefulness of such services.

Voucher schemes, however, do not address fundamental weaknesses in the supply side for BDS, such as the lack of qualified consultants and the absence of services that are geared to the particular needs for the sme sector. Rather, a voucher scheme requires a basic level of BDS supply (both in terms of the number of existing BDS providers, and of the scope and quality of the BDS offered by them) to become effective.

In such a supply structure, well-designed voucher schemes can stimulate a networking of the BDS providers and an adjustment of services to actual demand. However, as with all transaction-level interventions, vouchers may distort the BDS market by promoting unrealistic price expectations by the users of the system. Such risks can be contained if, for example, voucher values are kept low and the programme is primarily geared at services that are not generally available or not generally accepted in the market.

Voucher programmes have been implemented in many transition economies, in the see region in Slovenia and Serbia. They have typically proved to be a useful and cost-effective instrument for developing training markets and the low-cost segment of the BDS market.

APPRM has already piloted its voucher scheme on more than 130 clients from the rank of unemployed persons and small enterprises in the municipalities of Strumica and Skopje. During this process, apprm staff and staff from its regional partners has undergone intensive training in the management and promotion procedures that are required for the expansion of the VCS to a wider target group, and APPRM has offered training to selected consultants in order to improve and expand the range of services that are offered under the voucher scheme.

In the next phase, APPRM will focus its activities on a much larger voucher scheme involving two components:

- *National voucher scheme for SME development*, designed to
 - expand BDS activities to assist targeted smes in improving their overall competitiveness and productivity;
 - to enhance the quality of services and service providers to better serve smes;
 - to strengthen the capacity of intermediaries to better manage the implement the matching-grant scheme.
- *From unemployment to self-employment*: this scheme will assist aspiring entrepreneurs from among the registered unemployed with business start-up counselling, training and information; it also aims at enhancing the quality of services and service providers that are assisting this target group.

These schemes have already been designed and work is underway to train APPRM staff, prepare the required procedures, databases and manuals, set up the it infrastructure, etc., As well as to obtain the financial resources to implement these projects.

4. The Business Environment

4.1 Introduction

A healthy regulatory environment must encourage sustainable economic growth and help enterprises to become more competitive, while ensuring the functioning of a market economy. More specifically, it is now generally agreed that the SME sector needs special policies in order to overcome the inherent disadvantages for SMEs in a market economy. It is the essential role of the Government to create the right business environment for SMEs to thrive.

In this respect, the Government should create an enabling legal and regulatory environment that opens access to markets and reduces entry barriers for small firms, while at the same time providing public goods such as infrastructure, education and information services. In a market-oriented economy, the focus of the Government's policy for the SME sector is on correcting or compensating market failures, rather than on direct interventions or on provision of goods and services that can be more efficiently provided by the market.

The legal and regulatory environment for SMEs has evolved rapidly ever since the transition to a market economy was started in 1991; this process has been accelerated in recent years, fostered by the beginning of the EU accession process and the resulting harmonization of National laws with EU legislation. SMEs are affected by these changes in many areas, including those that concern the establishment of a business, financial reporting, taxation, contract and dispute resolution, bankruptcy, technical standards, and banking and finance.

The rapid pace of policy change and changes in the accompanying legislation and its implementing provisions have doubtlessly improved the business environment and have pushed the country forward in its transition to a full-fledged market economy. At the same time, these changes have also led to a number of problems, and some omissions and contradictions in the legal and regulatory framework have created uncertainty for the SME sector. However, progress is being made to improve the business environment further, and to eliminate the remaining contradictions and gaps in the regulatory framework.

4.2 Business Registration and De-Registration

The company registration process has been significantly improved with the adoption of the new Law on Trade Companies and the Law on the One Stop Shop System and the Maintenance of Registers of Business and Other Legal Entities. Since January 2006, registration is done through the one-stop-shop

system, currently available in ten offices throughout the country. The process takes a maximum of five days and costs € 65 to € 135, depending upon the type of business being registered.

When benchmarked with the South-East European (SEE) average, this compares favourably both in terms of the time required and the costs involved. With some improvements (that are currently being implemented) the country will attain the OECD average in these matters. Of more concern is the still relatively high minimum capital requirement for registering a new business; this amounts to 110 % of average per capita income, significantly higher than the 36 % for the average OECD member country.

While significant progress has been made in relation to the registration of enterprises, the situation is not so positive for de-registration (i.e. formally closing down a business). Here, the process takes on average almost four years and costs 28% of the value of the estate. The country performs significantly worse in this respect than its neighbours in the SEE region, let alone the average for the OECD countries (where the process takes typically 1.4 years and costs 7 % of the value of the business).

If it is problematic to close a business, entrepreneurs will simply keep their enterprises inactive without closing them formally. (That this is clearly the case in the country is shown by the data on existing and active companies; see section 1.2.) This ties up resources in non-operating enterprises that could otherwise be used for more successful businesses. The process of closing a business must therefore be simplified and streamlined, and made to conform with legislation in the EU and international standards. The process has been initiated with the adoption of a new Law on Bankruptcy in 2006.

4.3 One-stop Shop system

The introduction of the “One-stop Shop” system for business registration in early 2006 has simplified the process of business registration significantly, reducing registration fees and time needed for registration. By doing this, faster and easier access to correct and valid information has been made possible.

Parallel to the one-stop shop system, the Trade Register introduced electronic registration of trade companies. Since the beginning of 2006, apart from the Trade Registry, the Central Registry is also registering other types of legal entities that are not defined by the Trade Company Law. The digitalization of the trade registry presents a basis for future use of the e-signature and e-registration of enterprises.

The costs for obtaining the company registration certificate are €135 for registering a limited company, € 85 for using the services of the one-stop-shop, and € 50 for verification of the company statements and applications papers. The official time required to register a company is five days; according to the Central Registry, it takes between 3 and 5 days in practice. The Central Registry has 28 regional registration offices throughout the country, of which 10 are currently part of the one-stop shop system.

The one-stop shop system has already improved the business climate for entrepreneurship significantly. However, the Government intends to undertake a number of further reforms such as:

- Registration of a Limited Liability Company within three days (and eventually one day)
- Combining registration and issuing of licenses and permits within the one-stop shop system⁷
- Including registration of crafts in the one-stop system
- Coordination and streamlining the inspection services
- Reduction of the registration fees
- Introduction of a Unified Electronic Database and a Unique Registration Number for all enterprises
- Introduction of the principle of “silent is consent” for registration

Furthermore, the SME Strategy and Programme envisages various other regulatory reforms as follows:

- Regulatory guillotine: streamlining unnecessary regulations that create obstacles for the normal functioning of enterprises. The regulatory guillotine is expected to be based on the best practice of the OECD countries, supported by the World Bank.
- Creation of the Unique National Electronic Register (UNER) for all existing permits, licenses and certificates, etc. Through UNER, the Government will eliminate the ability of public authorities to “interpret” regulations, thus increasing clarity and reducing abuse.
- Introduction of the principle of “positive confidence”: this will ensure that public authorities will be unable to enforce anything which is not listed in the UNER.

These regulatory reforms will be implemented by the State Council for Regulation of Business Activities, which shall have representatives of MoE and other Ministries, Economic Chamber, Union of Chambers, and other relevant private sector organisations.

⁷ On licenses and permits, see below next section.

4.4 Licenses, Permits and Inspections

In addition to registration, many business activities must obtain additional working licenses and/or permits in order to start their operations. Such post-registration requirements entail a process of applying to the relevant authorities that deal with these issues in the respective business location. Licenses are required in many sectors of the economy, comprising, a.o., the construction, transport, health, tourism, catering sector, and all production enterprises.

Enterprises experience considerable barriers when trying to obtain the required licences and permits, reporting by and large the same set of problems⁸ with all public authorities in charge of issuing licenses. The most frequently issues cited are non-transparent procedures, a lengthy and unpredictable approval process; political and/or business interests influencing the decision-making, different licensing procedures in the various regions of the country, administrative inefficiencies and delays, and a lack of adherence to the established procedures.

The costs of complying with these licensing requirements are very high, thus discouraging investment in new enterprises: on average, it costs 90% of per capita income and takes 222 days and 18 different steps to go through the process of obtaining the required operating licenses for an enterprise. Even though the country compares relatively well with other countries in the SEE region (particularly in terms of costs involved), it performs poorly in comparison with more advanced economies (where there are typically only half as many procedures requiring 30 % less time). This suggests that there is room for improvement in all relevant areas.

In addition to the difficulties in obtaining the required operating licenses, companies are also regularly inspected by a number of Government bodies, ranging from tax audits over safety, health and standards organisations to environmental audits and several others. The costs for complying with these inspections is considerable, and many enterprises complain about intransparent procedures, absence of clear information as to the mandate and authority of the inspection authorities, and abusive practices of certain officials. Of particular concern to the SME sector is the strict application of one uniform set of rules and regulations to all enterprises, be they large or small. This constitutes a manifest bias of the system against SMEs, as complying with these procedures is much more difficult (and burdensome) for a small company than for a larger enterprise.

⁸ The impact of the system of licenses, permits and inspections on the SME sector has been assessed in a study by the SMEDP; the document is available on www.smedp.org.mk .

The Government has certainly taken notice of this situation, and is committed to improve the existing procedures and to combat abuses and intransparent actions by the inspection bodies.

4.5 Business Development Services and Consultancy

Business Development Services (BDS) for SMEs are primarily available from the various regional business support centres and related organisations, most of them originally created with donor support. These are variable in terms of quality and type of business services delivered. In addition, various donor projects also provide BDS on a regional or sectoral basis, and private consultants are also increasingly offering these services on a commercial basis. However, many private consultants are not overly interested in BDS for the SME sector, as larger companies offer more lucrative opportunities for their work. What is still lacking in the country are BDS provided by Chambers and professional associations to their members.

Also, the market of BDS for SMEs remains relatively underdeveloped, as most SMEs are still unwilling and/or unable to pay for these services. In this context, the various regional centres encounter serious problems in attaining financial sustainability (as required by the phasing out of donor support). It will be an important task both for the APPRM and for the various business organisations to make the SME sector aware of the opportunities offered by the various BDS providers, and to encourage enterprises to make use of the available services. The gradual introduction of user charges for donor-funded BDS – as practiced by the HRDF – is an important element in this process.

The key institutions providing business development services are highlighted below⁹.

a) Business Support Organisations and related BDS Providers

- Five Regional Enterprise Support Centres (RESCs), three Enterprise Support Agencies (ESAs) in Tetovo, Gostivar and Ohrid) and the Prilep Regional Enterprise Development Agency (PREDA) provide general business consultancy to SMEs.
- Seven business incubators established with World Bank support, plus newer incubators such as Gica (Ohrid) and YES (Young Entrepreneurs' Support) provide consulting and advice principally to their tenants, i.e. to a limited number of start-up SMEs.

⁹ Addresses and contact details are given in the tables in the annex.

- Three GTZ-funded Technology Transfer Centres (TTCs) located at the University of Skopje and the University of Bitola design and implement R&D and other technical consulting and engineering services for new hi-tech SMEs.
- The Euro Informative Correspondence Centre (EICC) acts as a “first-stop” for SMEs for all matters involving EU issues (standards, market access, contact points in EU member states,).
- The Human Resource Development Fund provides training for managers and owners of SMEs, and promotes the concept of management training and continued education in the country.

APPRM cooperates with all these institutions (and with other organisations dealing with entrepreneurship and SMEs, as well with business consultants and trainers)¹⁰ in order to integrate all these institutions and activities into an efficient SME support infrastructure, and to build up the capacity and quality of these BDS providers.

b) Business Associations with a focus on BDS

There are numerous national, regional and bi-lateral business chambers and sector associations in the country (see the address lists in the annex). A number of these are of particular importance in delivering business advice and consultancy to SMEs, not least because of their role in building up the skills and knowledge base of trainers and consultants. The most important among these are:

- Macedonian Association of Companies in the IT industry (MACIT) coordinates the networking efforts of the ICT industry and cooperates with global ICT brands and value chains. MACIT is a business association within the Economic Chamber of Commerce and has about 60 members.
- Management Consultants Association (MCA-2000) represents professional management consultants and providers of business services; MCA-2000 is a member of the International Council of Management Consulting Institutes (ICMCI). Since 2002, MCA-2000 has initiated a process of certifying its members based on the internationally accepted Certified Management Consultant (CMC) model run by ICMCI. MCA-2000 has about 30 members.
- Macedonian Trainers’ Network (MTN) comprises over 40 individuals working as trainers. MNT plans to initiate a certification process for all trainers.
- Other professional associations represent professionals providing services such as engineering, legal, financial, accounting, administration, etc. Whilst

¹⁰ See section 3.1 on the role and mandate of APPRM

these are important support services for the SME sector, these associations do not offer business advisory services per se.

c) Management Consultants and general consultancy

The Business Associations and other organisations listed in the previous section represent more than 100 member companies that provide professional services including business advisory, management consultancy, ICT services, HR development, financial management (e.g. accountants and auditors), legal advice (corporate governance and commercial law), PR and advertising, marketing, environmental advice, engineering support, quality assurance, etc.

It is estimated that the business consultancy industry comprises about 600 to 800 consultants. However, out of this number only about 30 companies with about 100 to 120 consultants focus on advice and consultancy for SMEs. See the annex for a list of these consultants; as mentioned in the preceding section, the sector is represented by its own association MCA-2000.

d) Donor projects and activities

SME consulting services and initiatives are supported, directly or indirectly, by international donors, including the following:

- EC/EAR: the Human Resources Development Fund (HRDF, www.hrdf3.org.mk) offers BAS and management training to production and export-oriented SMEs. The eligible firms co-finance the consulting and training services provided by international and domestic consultants. The SMEDP project (www.smedp.org.mk) has provided support to selected enterprises through local and international business consultants.
- IFC / PEPSE – Private Enterprise Promotion in SEE: Provision of technical assistance for promotion of the private sector (www.ifc-pepse.org.mk).
- USAID: professional and information services to support enterprises in the sectors of textile/apparel, footwear, tourism, agribusiness (www.ebiz.org.mk).
- GTZ: support for the creation of three Technology Transfer Centres providing R&D and other technical/consulting/engineering services to new high-tech SMEs (www.gtztechno.com.mk).
- SINTEF: provides consulting services for technology transfer, export and QMS for over 100 production-oriented SMEs (www.sintef.org.mk).
- SIPPO: promotes SME export activities to Switzerland through information and training services (www.sippo.ch).

- EBRD: the Business Advisory Services (BAS) programme (www.basprog.com.mk) covers 50% of the costs of services provided by private consultants in areas such as quality standards (ISO, HACCP, etc.), increased energy efficiency, higher productivity, etc. BAS Enviro, the Environmental Management Strengthening programme of BAS, helps SMEs to comply with the EU Integrated Pollution Prevention and Control Directive (IPPC) through improved management systems and attention to cost reduction.

(See section 7 for more details on donor activities in the country.)

5. Enterprise Competitiveness

5.1 Current Situation

Economic growth is closely connected with competitiveness which, in turn, is linked to enterprise-level productivity, since it is enterprises that drive economic growth, and it is the competitiveness of individual companies (in terms of innovation, human capital, marketing, technology, costs, etc.) that ultimately determines the competitiveness of a national economy.

According to the World Economic Forum's 2005/06 Global Competitiveness Report, the country ranks 85 (out of 117 countries) in the Growth Competitiveness Index (GCI). Compared with 2004/05, the rankings have improved in terms of the business environment and macro-economic stability (the latter due to the strict fiscal discipline and the other stringent monetary policies of the Government). However, in other parameters of competitiveness – such as the Technology Index – the country's position stagnated or even declined.

This is a reflection of the failure to take adequate measures to improve the technological readiness of businesses at a time when other economies are advancing in this area. Thus, while the overall situation has not deteriorated, the country's competitiveness does not appear to have improved since 2004 either. This is mainly because planned and initiated reforms have not been fully implemented and carried to their logical conclusion.

This mixed picture is also reflected in the findings of the 2005/06 micro-level Business Competitiveness Index (BCI). The report notes certain improvements in the business environment; the availability of capital for investment, the quality of the available scientists and engineers, and the general level of education are seen as positive factors of the business environment. However, there has been a deterioration in the sophistication of the operations of local companies, and in the quality of their business strategies. Weaknesses are also manifest in the quality of managers, in the overall low customer orientation of businesses, and in the high dependence on foreign technologies and technology transfer. The rigidity of the new law on environmental protection and insufficient competition in the domestic market are also noted as negative factors.

The index puts the country ahead of Serbia, Montenegro, Bosnia and Herzegovina, and Albania, but gives it lower rankings than Bulgaria and Croatia. According to the GCI, the National economy is transiting from competitiveness based on the exploitation of available production factors ("stage 1") to competitiveness based on efficiency ("stage 2"). The report points out that to support and accelerate this transition, attention must be paid to the following:

- Higher education and training (rank 62): in principle, there are adequate human resources to create and absorb the innovations required for new technological developments. More specifically, the potential to achieve this is there, but it requires a systemic approach that would lead to the promotion human capital as a growth factor.
- Market efficiency for goods, capital and labour (rank 97): Regarding the goods markets, issues of concern are the legal framework for ensuring a favourable business environment, the lack of domestic competition in certain sectors, and restrictions on foreign ownership of businesses. There are also concerns with the effectiveness of the anti-trust policies and the efficiency of the tax system. Regarding the labour markets, the most problematic issues are the extensive brain-drain, a lack of cooperation between employers and unions, and the general low quality of the available management staff. In regard of financial markets, the picture is mixed, with a good marks for the financial soundness of the banking sector, but with serious concerns about SMEs' access to commercial financing.
- Technological readiness (rank 88): the country lags in all areas except cellular phones and PC density. Negative factors are the low degree of ICT penetration, poor firm-level technology absorption, and the low level of FDI in this field. An additional problem is the absence of adequate legal regulations on ICT (e.g., e-trade, digital signature, consumer protection and intellectual property rights).

Against this backdrop, the NECC's National Competitiveness Report 2005 has presented a set of recommendations that would enhance the competitiveness of the economy (see Box 1). Many of these recommendations have been integrated into the SME Strategy and Programme of the Government, and will thus be addressed in the future.

Box 1: Reform Agenda to Enhance Economic Competitiveness

01. On-going, intensified structural reforms, to be implemented in packages and with a faster transfer of authority to local governments (decentralization).
02. Making the “one-stop-shop” system completely functional.
03. Promoting legislative and other benefits to attract foreign investors.
04. Providing incentives for innovation and transfer of technology to enable economic growth and creation of greater competitive advantage.
05. Eliminating double taxation in agriculture and adapting regulations related to farming and cattle breeding businesses, facilitating registration and start-up of small farmers' businesses.
06. Allowing VAT return to individual farmers.
07. Stimulating and enabling the entry of first-class foreign banks into the country.
08. Implementing policies that will result in lowering the current interest rates and provide more favourable loans to stimulate economic investments.
09. Forming guarantee and investment funds to support the start-up of small businesses and farming initiatives.
10. Drafting and implementing a Technology Development Policy that is market oriented and focused on firms' innovativeness.
11. Creating conditions for promotion of R&D as the key generator and instigator of innovation and technology.
12. Strengthening the institutional infrastructure for development and support of an innovation-friendly business climate; providing tax incentives and other benefits to investors that apply new technologies.
13. Supporting transfers of technology and setting up “learning companies.”
14. Establishing an annual national innovation award for companies and individuals.
15. Initiating a process of building a well educated and trained workforce to meet the needs of businesses; integration of education with business needs.
16. Implementing the European higher education credit-transfer system; developing proactive curricula; providing high quality teachers and scholarships that contribute to creating higher standards for students.
17. Promoting life-long education through campaigns directed at businesses and aimed at raising the awareness of the importance of permanent training and upgrading of the skills and knowledge of the workforce.
18. Introducing farmers / cattle-breeders to new technologies and international standards.
19. Implementing a national strategy to retain a highly skilled workforce and enable their further development, thus preventing or reducing the “brain-drain.”

Source: NECC, 2005

institutional support. The results so far do not appear to have lead to anything more than intensified promotional activities. Moreover, only a few clusters (such as the coastal tourism clusters in Istria) were demand-driven, rather than donor-initiated.

These experiences have provided “food for thought” in relation to future plans for cluster development in the country. A new USAID funded programme for enhancing enterprises’ competitiveness (*Macedonian Competitiveness Activity* – phase 2) is planned for a five year period, starting in 2007. The programme is expected to incorporate the recommendations of the evaluation report into its further support measures for the existing clusters, domestic supply chains, industry organisations, etc.

The Ministry of Economy and APPRM are also pursuing the development of new clusters in the following fields:

- IT sector: software development and export
- Agribusiness: cooperation among vegetable producers for organised sale and export
- Dairy: cooperation for restructuring and to compete with foreign brands pushing into the market
- Furniture: joint sales and promotion activities, shared services and workforce training

6. Financial instruments for the SME sector

6.1 Introduction

There were a series of positive changes in the country's banking sector in recent years. The credit rating – BBB+ (Standard & Poor) and BBB (Moody) – has improved and is slowly approaching investment grade, the macroeconomic situation is stable and ranks 30 out of the 127 countries covered by the World Economic Forum Report (2006). Interest rates are finally decreasing due to macroeconomic stabilisation, and a larger volume of credit is being made available to the enterprise sector as a result of the increasing competition and greater liquidity in the banking sector.

Despite these developments, SMEs still experience considerable difficulties in accessing commercial bank loans. As in other countries of the SEE region, commercial banks perceive SMEs as risky clients because of their limited assets and low managerial skills, while SMEs complain about commercial banks being overly conservative and risk adverse, and generally not interested in financing of SMEs.

The difficulties that SMEs experience when trying to obtain commercial credit are due to several factors. First, the banking sector in the country is still relatively underdeveloped, and suffers from low levels of competition and financial intermediation. Second, there are particular problems related to SME financing that discourage banks from lending to SMEs.

From the perspective of commercial banks, SMEs are considered as high-risk clients, due to their small size and their limited prospects of earning sufficient funds to service a loan. Moreover, insufficient and often unreliable credit information does not permit banks a proper assessment of the capabilities of SMEs to service their debts. The generally smaller loan amounts required by the SME sector lead to disproportionately high management costs that eat into the profitability of the banks. Finally, many commercial banks do not have sufficient experience to properly evaluate loan applications from the SME sector, even if sufficient credit information would be available. Most banks still find it more attractive to invest in tax free government bonds with relatively high returns or to extend loans to larger corporations¹¹.

From the viewpoint of SMEs, cumbersome lending procedures and documentation requirements, and overly stringent collateral requirements make it difficult for SMEs to apply for a loan. SMEs are also frequently not very well informed about

¹¹ See the study on financing for SMEs (SMEDP, 2006a), available on www.smedp.org.mk.

the range of financing options available, be they public guarantee programmes, bank loans and terms and conditions, or special credit lines for SMEs.

Against this backdrop, the SME Programme foresees a focus on the expansion of credit and on the diversification of the financial instruments available to the SME sector (see MoE, 2006b). This will require innovative approaches in addressing the specific problems of lending to SMEs, combined with awareness and competence-building measures for entrepreneurs, in order to spur qualified demand for financing among SMEs and thus ensure a greater uptake of the available credit lines and financing schemes. Special promotion and communication programmes will be needed to overcome regional, ethnic and cultural divisions, and to address the requirements of particular groups of entrepreneurs (e.g., women entrepreneurs, ethnic minorities, young people, self-employment schemes, etc.).

6.2 Commercial Bank Lending

In mid-2006, 22 major commercial banks operated in the country. Commercial banks are regulated by a two-tier licensing system, requiring in addition to the general banking license a separate license for foreign exchange operations. Eighteen banks have this additional license, enabling them to get involved in international payments, credit and guarantee operations in foreign currencies, etc.

The banking sector is highly concentrated, with three banks accounting for 67.2% of the total assets of the sector in 2004. The largest bank is Komercijalna Bank (28.2%), followed by Stopanska Bank (25%) and Tutunska Bank (13.9%). The dominance of these banks has increased since 1999, when their accumulated share in total assets was only 54.6%. Seventeen banks have their headquarters in the capital, while four banks have their centre of operations outside the capital. However, there is a wide bank network consisting of 43 branches, 266 windows, 42 business units and one credit office, covering most parts of the country. This wide banking network enhances competition and brings services closer to the client SMEs.

18 banks provide credits to SMEs. Although the terms and conditions vary from bank to bank, the typical conditions for loans to SMEs are:

- ◆ Collateral:
 - Mortgage (accepted mostly in Skopje only¹²)

¹² Due to the absence of reliable cadastral information for many areas of the country, banks are generally reluctant to accept real estate as collateral outside Skopje.

- Equipment (a more recent development)
- Personal guarantee (accepted only by some banks for loans under €5,000)
- ◆ Interest rates: 10 % - 18% (higher for micro loans; cheaper for larger amounts)
- ◆ Processing time: 3 - 15 days (decreasing of late)

Table 6.1 shows the terms and conditions for lending to SMEs based of the commercial banks most active in the SME market.

Table 6.1: Commercial Loans of Key Commercial Banks

	Amount EUR	Indicative Interest rate (% year)*	Repayment and Grace period	Aim / Target group
1. ProCredit Bank a. Micro credits b. Small-medium credits c. Investment credits	5-20 K 20-50 K 50 K- 500 K	Undisclosed Undisclosed Undisclosed	3-4 years, no grace 5 y, 6 m grace 8 y, 6 m grace	SMEs, individuals SMEs All enterprises
4. Komercijalna banka	5K – 100K	11 -16%+3.5%	5 y, 0.5 grace	All enterprises
5. UNI banka Skopje	3K – 15 K	12 % effective	5 y, 0.5 grace	All enterprises
6. Stopanska banka	5K-15K 50K- 500K	13,5-14,5% + 2%	5 y, 0.5 grace	All enterprises
7. Tutunska banka Micro loans	50K – 250K	Effective rate undisclosed 10-16%	5 y, 0.5 grace	All enterprises
8. IK Bank Micro loans	2K to 5K	9-14% + 1,5%	5 y, no grace	SMEs

*Note: * Interest is indicative only. In the past banks declared their “nominal” interest rate but also charged their clients “operating costs” varying from 1.5 to 4.0% (thus increasing the effective interest rate). From July 2006 all financial institutions are legally required to state only their “effective” interest rate. This, however, is only slowly implemented.*

To conclude, commercial banks are increasingly allocating credits to SMEs from their own funds, rather than relying on donor credit lines. In consequence, access to finance for SMEs has improved substantially over the last few years, with the micro loan market becoming increasingly active (lead by ProCredit Bank). Finally, the increased competition, liquidity and macroeconomic stability are resulting in both reductions in the interest rates as well as other improvements in the terms and conditions of loans for SMEs.

6.3 Special Credit Lines for the SME sector

A number of donor programmes and development institutions offer special credit lines for SME financing. In 2005, the total amount of these credit lines (bilateral and multilateral) was € 102 m. Typically, the terms and conditions for lending under these programmes are as follows:

- Interest rates for SMEs is now in the range of 6 to 12%
- Interest rates for micro credits are higher (10-18%) due to the higher costs and risks
- Loan size ranges from € 3 k to 2 m
- Grace periods are granted only by a few of the available programmes, and then only short-term (up to 1 year)

Details on the available credit lines from donor programmes and other dedicated funding institutions¹³ are presented in Table 6.2.

In general, these credit lines thus offer more attractive terms than loans from commercial banks. Despite this fact, utilization of these programmes has been rather low in the past, and has only recently improved to about 80 % in mid-2006. This indicates some weaknesses in the design and/or management of these programmes. The SME Programme envisages a general information and promotion campaign (in cooperation with Chambers and business associations), in order to promote these programmes and achieve a better utilisation of the available funds.

¹³ A report (SMEDP, 2006b) recently examined all the donor credit lines available to the SME sector.

Table 6.2: SME Credit Lines

Credit line	Amount EUR	Indicative Interest rate (% per year)	Repayment and Grace period	Aim / Target group
1. KfW credit line (revolving fund)	50–400 K; start-ups up to 250K	10%	4 years 6 m grace	SMEs
2. Italian credit line	up to 2 M	7%	5.5 y 1.5 y grace	SMEs & profitable investment
3. Italian line - revolving fund	50-500 K	7-8 %	1-3 y	SMEs & entrepreneurs liquid capital
4. Credit line MBDP	15-500 K	8%	8 y 1 y grace	SMEs & start-ups
5. Credit line MBDP	30 K-2 M	8%	to 1 y	Export promotion
6. Credit line MBDP	30-300 K	8%	to 3 y	Capital for liquidity
7. EAR micro credit line for SMEs	up to 100 K	9%	to 5 y 6 m grace	Start-ups & existing SMEs (over 5 y)
8. KfW credit line	up to 15 K 15-50 K	11-18%	3-4 y 6-12 m grace	Micro & family SMEs
9. EIB global loan	20K to 12.5 M	5.9-7.8%	4-6 y 3 y grace	SMEs & investment works
10. Credit line NL	up to 75 K	up to 12%	5 y 3 y grace	micro & small businesses
11. Credit line Soros	up to 8 K	10-12%	1 y 6 m grace	SMEs
12. Credit line Soros agricultural develop.	up to 10 K	8%	to 3 y 6 m grace	individual farmers
13. Soros, agricultural develop.	up to 3 K	8%	to 3 y 3 m grace	individual farmers
14. MEDF 1-2	up to 75 K	16%	to 7 y no grace	SMEs and individual farmers
15. USAID SME Fund	up to 100 K	8-12%	to 9 m no grace	SMEs in food processing, textile, leather, metal processing, wood, construction and trade. Export promotion

Source: SMEDP 2006; up-dated in November 2006

6.4 Macedonian Bank for Development Promotion (MBDP)

MBDP was created in 1998 as the only state-owned bank in the country, with a mission to improve SMEs' access to finance. It is a development bank modelled on the German KfW, and the scope of its activities includes financing start-ups, providing medium- and long-term loans to SMEs, financing exports, extending export credit insurance, and the management and implementation of international credit lines.

MBDP has a capital of € 15 million and its total loan portfolio was € 33.5 million in January 2005. The bank's financial products are offered through 16 on-lending banks and saving houses. In terms of assets, these banks and saving houses represent more than 75 % of the banking sector and with their network of branches and offices cover the whole country. Most foreign credit lines available to SMEs are implemented through the MBDP. The credit programmes under its management include micro credit lines from the European Agency for Reconstruction (EAR) (€ 10.7 million) and from the German KfW (€ 15 million), a commodity credit line from the Italian Government (€ 12.7 million), micro and small loans from the German KfW (€ 12.7 million) and credit programmes from its own resources (see Table 6.2 above).

The MBDP Guarantee Fund (www.mbdp.com.mk) was created in 2005 with a capital of € 4,2 million. The fund is managed by a Guarantee Board, which is a separate section of the Management Board of the MBDP. The fund was set up in recognition of the problems that SMEs face in providing collateral as security in asset-based commercial lending. The Guarantee Fund offers guarantees to private SMEs, individual traders and craftsmen in all sectors of the economy, (with the exception of agriculture and the production of alcohol, drugs, weapons and military equipment). Guarantees amount to 33% of the loan value up to a maximum guarantee of € 35,000.

Despite great interest shown by SMEs, not a single guarantee has been issued in 2006, indicating that the concept has not adequately addressed the problems of the SME sector. Small firms are still unable to provide the collateral required by commercial banks, and the cumbersome administrative procedures seem to be an additional reason why SMEs are not using the fund. The new Government programme foresees to reform the Guarantee Fund and to reorient it towards guaranteeing export deals.

6.5 Private Guarantee Funds

In addition to the MDBP's Guarantee Fund, two private guarantee funds also exist:

- The Garanti Fond (www.gfund.com.mk) is financed by SIDA, the Swedish International Development Agency. Its founder is the Centre for Stimulating the Development of SMEs in Skopje. The fund has a capital of € 1.6 m and is targeted at start-ups, existing private SMEs with a maximum of 50 employees, and individual farmers.
- The Macedonian Enterprise Development Foundation (MEDF) is financed by the Government of the Netherlands (www.mrfp.org.mk), has € 500,000 at its disposal and issues guarantees to compensate for a shortfall in collateral and to cover political risks. These guarantees are used to encourage financial institutions to extend credit to clients with viable projects which have insufficient collateral and/or are located in regions that financial institutions consider as exposed to political risks due to ethnic tensions and other factors.

These funds are registered as associations of private citizens, due to the lack of an adequate legal framework for such funds.

6.6 Other Financial Instruments

A number of other financial institutions are active in financing SMEs and other small ventures:

- The "Horizons" Programme of the Catholic Relief Services targets potential entrepreneurs and those operating in the informal sector, enabling them to gradually formalize their activities. The programme also provides micro-finance through group loans (up to € 2,500, repayment in 6-9 months). Around 10,000 loans have been issued thus far.
- The Commercial Financial Fund for SMEs, financed by USAID, has a capital of US\$ 1.5 million. CFF finances short-term working capital for SMEs.
- Savings bank "Moznosti" has branch offices in 6 cities (Kocani, Kicevo, Kumanovo, Strumica, Bitola and Ohrid). This micro-finance institution is a savings bank originating from the USAID-funded "Opportunity International" programme.
- Savings bank "FULM" has branch offices in Skopje, Tetovo, Strumica, Kavadarci and Bitola. This former USAID programme was established through the World Council of Credit Unions and provides micro-loans to its clients.

6.7 Equity Finance and Business Angels

In addition to the traditional banking operations by commercial banks and donor programmes, several “non-traditional” instruments for SME financing are emerging:

- **Venture Capital:** The legal and institutional infrastructure for establishing and managing venture capital funds is in place (Law on Investment Funds, 2000). Although several venture capital funds were created, only the Small Enterprise Assistance Fund (SEAF - www.seaf.com.mk) is active. It provides direct financing to enterprises (typically in the range of US\$ 200,000 – US\$ 1.500,000) by taking a minority stake (20% - 49%) in a company.
Operating on a commercial basis, it focuses on businesses with attractive underlying fundamentals, primarily well-established, developed medium enterprises rather than new, micro or small firms. Successful projects supported by SEAF include the textile and food industries, but due to the small number of SMEs (14) benefiting from SEAF, its impact has been limited. SEAF has stopped working with new clients and will terminate its activities in 2007.
- **“Business Angels”** invest directly into enterprises in their personal capacity. The concept of Business Angels is relatively new to the country, and there is a need to raise awareness of this financing instrument among public and private institutions. A conference on the Business Angels concept was organized by the SME Forum in November 2006 and the SME Programme 2007–2010 foresees the creation of a Business Angels Network (located in a Business Chamber) matching potential investors with enterprises.

6.8 Future Developments

Several priorities for diversifying access to finance for SMEs have been identified in the SME Strategy and Programme, and will form the focus of the activities of the MoE in this field. These issues are discussed briefly below.

a) Leasing

Leasing can provide financing of equipment and immovable property for SMEs that cannot obtain loans to purchase these assets. Since leasing companies retain legal ownership of the leased assets, they are able to overcome obstacles to bank lending by assessing SMEs based on their (expected) cash flow generation, rather than their credit history, collateral or capital base.

The Law on Leasing (2002), amended in 2003 and 2006, and the Law on

Contractual Pledge (2005) provide the regulatory and legal framework for leasing operations, yet so far only moderate progress has been made. Eight leasing companies have been licensed, but only two are operating, and leasing amounts only to about 1.3% of all new investment. Leasing of (private and commercial) vehicles has become widely accepted, but leasing of production equipment is still not generally practiced.

This unsatisfactory situation is due to a number of reasons. Awareness of the advantages of leasing among SMEs is still rather low. Leasing contracts are subject to the conditions stipulated in the Law on Leasing, and do not give the parties the freedom to enter into flexible arrangements that are attuned to anticipated cash flows and other particularities of the case. Fiscal legislation, in particular in regard to VAT issues and depreciation, is not yet clear. Courts are still not efficient enough in issuing authorizations to recover leased equipment in the case of default.

The SME Programme aims to amend the Law on Leasing, reduce Central Registry fees, amend by-laws regulating the registration as well as the depreciation of leased objects, and promote the awareness of leasing as a potential alternative to loan financing, as a means of stimulating the take-up of leasing as a source of finance for SMEs.

b) Factoring

In many countries, factoring has become an important instrument for the provision of working capital and liquidity to SMEs. As a multifaceted product for companies engaged in domestic or international trade, it combines financing and financial services by collecting accounts receivable, providing buyer credit coverage and the corresponding bad debt coverage in the event of the buyer's default. Even though the legal and regulatory framework provides adequate structures for factoring, and SMEs have a clear need for working capital and liquidity, factoring is currently only provided by one company. The awareness of this financing instrument among SMEs is extremely low. Receivables are usually financed internally and externally through bank loans, for which companies mortgage real estate and in some cases pledge equipment with the usual difficulties attached to these instruments.

Even though the legal and regulatory system recognizes factoring, modifications and clarifications in various laws will be needed for this market to develop. The recognition of factoring as a financial product under VAT legislation with a subsequent exemption as well as adjustments to the Law on Banking that go beyond referencing factoring as a potential banking activity to clearly defining it, are some of the issues to be addressed by the SME Programme. A publicity

campaign for awareness and education would be needed to properly position the product and thus prepare the ground for market development.

c) Franchising

Franchising – the operation of a business under an established brand name and according to a proven and tested business idea and methodology – offers many advantages to SMEs, as a franchise can significantly reduce business risks, and banks may be more willing to finance franchise operations than an unproven business idea. Although franchising is a new concept for most enterprises, the legal system can accommodate franchise agreements, and there are already successful examples of franchises operating in the country.

However, several constraints are hindering the wider use of the franchising concept. There is a general lack of awareness about franchising as an alternative to starting a business from scratch. Moreover, limited capacity in the judicial system constrains the proper enforcement of the relevant laws promoting franchising. While the *Macedonian Franchise Association* assists domestic and foreign companies in this business sector, the Government will also take up the challenge of enhancing the environment for franchising.

d) Credit Information

The credit information that is available in the country is not sufficient for effective credit appraisal. Sources for credit information include the credit registers at the National Bank (NBRM) and the Macedonian Bank for Development Promotion (MBDP), and the Central Registry, but they all provide only limited coverage of the SME sector. This lack of information (and the resulting asymmetric information of banks and their clients) leads to increased transaction costs, higher lending risks, and ultimately to a bias of the banking sector in favour of established clients (as their risk is easier to assess than for new loan applicants).

Internationally, private credit information agencies have proved to be an appropriate tool to overcome the information problem of banks. They provide “payment profiles” of prospective SME clients to prospective lenders (i.e., banks) on a commercial basis. This in turn allows banks to distinguish between high and low risk SMEs when undertaking cash flow based lending. Credit information thus leads to a reduction of transaction costs and lowers the barriers for extending loans to the SME sector. The Government intends to establish such a credit bureau in the future; however, this will require dealing with certain legal, regulatory and information technology requirements.

7. Donor activities

Since its independence in 1991, the country has benefited from extensive donor assistance in many sectors of economic and social development. Various donors are currently active in supporting SME development in the country through technical and financial assistance, dedicated credit lines and guarantee funds, and other activities. Table 7.1 below highlights the key projects in this field, together with the contact details for further information.

It has long been recognised that coordination of donor assistance is essential if these resources are to be used effectively. However, this is a complex and time-consuming activity, requiring the necessary infrastructure and resources in order to maximise the benefits for development purposes.

On the National level, coordination of donor activities is pursued through the National Aid Coordinator (in the office of the Deputy Prime Minister), the Committee of Ministers for Coordination of Foreign Assistance (CMCFA), the Coordinative Technical Group of the CMCFA, and the Aid Coordination Sector within the Secretariat for European Affairs. The Government determines the strategy, the policy framework and the general direction of its development policies through the National Aid Coordinator and the CMCFA. The Coordinative Technical Group of the CMCFA and the Aid Coordination Sector ensure the smooth functioning of the overall system through a Central Donor Assistance Database, located in the Secretariat for European Affairs.

Each Ministry in turn prepares its sectoral strategies and coordinates the implementation of projects falling within its area of competence. In the case of SME development, the Ministry of Economy has overall responsibility, and the sectoral strategy has been prepared by the SME Department in the MoE in the form of the SME Strategy 2007 – 2013 and the SME Programme 2007 – 2010¹⁴. The Ministry of Economy recognises that effective coordination is essential for maximising the impact of donor funds and to achieve sustainable results. One of the priorities identified by the SME Strategy and Programme is therefore an improved coordination of donor activities in the SME sector.

¹⁴ See sections 1.3 and 1.4 above.

Table 7.1: SME Technical Assistance Projects

Title	Synopsis	Duration	Contacts
EAR: HRDF 3	<p>The HRDF 3 project has 4 components:</p> <ul style="list-style-type: none"> • Development of managers in enterprises • Development of local trainers and consultants • Upgrading the awareness for HRD in enterprises • Establishing the HRD Fund which will encourage learning in enterprises. <p>Project implemented by ECORYS, Denmark</p>	Jan 07 to May 08	Mr. Chr. Olesen, TL
EAR: SMEDP 3	<p>The SME Development Project contributes to capacity development of the MoE, APPRM and the SME support infrastructure, while also aiming to improve the business climate for SMEs. It has three components:</p> <ul style="list-style-type: none"> • Improve the SME operational environment of MoE and SME infrastructure in country. • Contribute to the SME growth through TA to 70-80 selected SMEs from key industries. • Improve dialogue between the Government and the business sector (SME Forum). <p>Project implemented by GFA Consulting Group, Germany.</p>	Dec 05 to Jun 07	Dr Heinrich Poell, TL
EAR: SMEDP 4	<p>The SMEDP project will have a focus on innovation and competitiveness. The contract is expected to be awarded in July 2007.</p>		
EAR: Macinvest	<p>Technical assistance to the MoE to improve the Investment climate. Project is implemented by TDI Group, Ireland.</p>	Apr 06 to Sep 07	David Banks, TL
EAR: BAS-ENVIRO	<p>BAS-ENVIRO is an Environmental Management Strengthening programme which aims to assist SMEs to comply with the Integrated Pollution Prevention & Control EU Directive. Project is implemented by EBRD.</p>	Dec 05 to 09	Jovan Gavrilovski, TL
SIPPO: import promotion for markets in transition	<p>Swiss programme to support export promotion by SMEs to the Swiss market. It provides information, training and support for potential exporters on how to penetrate the Swiss market. Project is implemented by SIPPO.</p>	Oct 05 to 08	Natalija Puntevska, TL

USAID: Business Enabling Environment	This project is a continuation of USAID projects (WTO compliance) and activities include: <ul style="list-style-type: none"> • WTO regulative trade facilitation. • Enforcement of IPR. • Export promotion. • Integrated border management. • Improvements of business climate. Project is implemented by Booz Allen Hamilton, USA.	Oct 06 to 11	Zoran Jolevski, TL
MCA-2 phase USAID	The MCA-2 project will operate for five years. Existing and new clusters will be established, support will be provided to value chains and the NECC.	Expected Mar 07 to 11	Tanja Markovska, USAID
SINTEF SME ART	The SME-ART project aims to build local capacities in academia and industry via knowledge transfer. It supports for match-making for 20 selected companies.	2003-07	Nevenka Pendovska, TL
SINTEF business incubator	The Young Entrepreneurs Support (YES) project is supported by SINTEFF (Norway) the Open Society Institute Foundation	2005-08	Ljupco Despotovski, TL
SINTEF SME COMNET	Project supporting value chains, supply chain management, R&D, technology development and logistics.	2006-08	Nevenka Pendovska, TL
SEAF	Private equity fund promoting medium sized enterprises. The shareholders are USAID, EBRD, IMF and DEG.	1998-2007	Vladimir Pesevski, TL
IFC-PEPSE	IFC-Private Enterprise Promotion Southeast Europe assists the private sector in all countries of the SEE region through institutional development, business environment, consulting services, etc.	Jan 06-Jul 09	Zoran Martinovski, TL
GTZ – REDEM Regional Economic Development	Support to local economic development in the Eastern part of the country (Stip, Kocani, Vinica, etc). Assistance to private enterprises in several important industry sectors. Headquartered in Skopje but core activities implemented in the area around Stip.	Apr 05-09	Alek Karaev, TL
USAID- WOCCU FULM	FULM is a credit union managed by the World Council of Credit Unions and USAID. It offers loans for individuals for agriculture, production, trading etc. FULM has five branches.	Sep 1999-2006	Eleonora Zgonjanin, Exe. director
MCIC- Netherlands Government	The Macedonian Center for International Cooperation (MCIC) provides Loans and non-financial services to micro, small and medium private enterprises.	1993 to present	Saso Klekovski, TL

MCIC-The NL Government	Macedonian Enterprise Development Foundation facilitates the development of micro, small and medium private enterprises and individual entrepreneurs in the form of revolving credits and technical assistance to banks.	1998 to present	Saso Klekovski and Tetjana Lazarevska
CRS-Horizonti Caritas Norway	The Catholic Relief Services provide small group loans for SMEs and new entrepreneurs, especially for woman entrepreneur and disadvantage persons.	2000 to present	Vase Davaliev
UNDP	Institutional capacity building and economic development.	2002-2007	Vasko Karangeloski
UNDP/Norway	Capacity building of Local government: enabling economic environment in Stip & Kicevo.	2004-2006 closed	Vasko Karangeloski
UNDP/Norway	Partnership for employment generation: SME development.	2003-2007	Vasko Karangeloski
UNDP/Norway	Employment mediation for young unemployed: increasing employment & SME development.	2005-2008	Vasko Karangeloski
JICA	JICA (Japan International Cooperation Assistance) provides support and donations for medical equipment (public health sector), individual farmers (spare parts for agri equipment), scholarship for experts, etc.	2000 to present	Kosta Balabamov, consul of Japan in RM
PREDA (Prilep Regional Enterprise Development Agency)	PREDA is supported by the Swiss Government: support to SMEs and Associations in Prilep region. After 2007, PREDA be part of APPRM network for SME support.	2000-Mar 07	Willy Parlmeyer, TL
World Bank. Private sector development	The components: (i) Business Regulation. This component addresses the Government's weak capacity to establish and implement business friendly regulatory regimes. (ii) Metrology, Standards, Testing and Quality (MSTQ) system. This component addresses the enterprise sector's difficulties in competing in domestic and foreign markets related to poor national MSTQ infrastructure and services. (iii) Competition Policy Regime.	2004-2008	Ms. J. Varnaleva

References

APPRM (2006) *Annual Report 2005 for the SME Sector*.

IMF (2006) IMF Country Report No. 06/344, October 2006.

INOTEH Consulting (2005) *Evaluation Report for the Macedonian Competitiveness Activity*.

Ministry of Economy (2002a) *National Strategy for Development of Small and Medium Enterprises (2002-2012)*.

Ministry of Economy (2002b) *Programme of Measures and Activities for Promotion of Entrepreneurship and Creation of Competitiveness of the Small and Medium-Sized Enterprises in the Republic of MACEDONIA (2002-2006)*.

Ministry of Economy (2006a) *SME Strategy (2007 – 2013)*.

Ministry of Economy (2006b) *SME Programme (2007-2010)*.

Ministry of Economy (2006c) *Self-Assessment Report Regarding the European Charter for Small Enterprises 2006*.

NECC (2005) *National Competitiveness Report*.

OECD/EBRD/DG Enterprise (2004) *Enterprise Policy Performance Assessment*.

Secretariat of European Affairs (2005) *Donors in the Republic of Macedonia*.

SMEDP (2006a) *Financial Markets and SME Finance: current status and suggestion for improvement*.

SMEDP (2006b) *Report on Credit Lines*.

SMEDP (2006a) *Business Processes in the SME Support Infrastructure: assessment and recommendations for improvements*.

SMEDP (2006b) *Assessment of the Status of the Legal Harmonization Process Affecting SMEs*.

SMEDP (2006c) *Business Registration, Licensing and Permits*.

SMEDP (2006d) *Enterprise Inspections in the SME sector*.

SMEDP (2006e) *Report on ICT Application in the SME Sector and e-Government Services for SMEs*.

SMEDP (2006f) *Acquis Chapter 12: Statistics Summary*.

SMEDP (2006g) *Report on Assessment of the National Innovation System – status, impediments, conclusions and policy recommendations in support of SMEs*.

SMEDP (2006j) *Tax Systems and the Taxation of SMEs.*

SMEDP (2006k) *Entrepreneurial Education.*

SMEDP (2006l) *Science, Technology and Innovation: international perspectives for the SME Strategy and Programme.*

World Bank (2006) *Cost of Doing Business.*

World Economic Forum (2006) *2005/2006 Global Competitiveness Report.*

Note: All publications by the SMEDP are available on the project's website (www.smedp.org.mk) for downloading.

Annex: Addresses and Contact Details

a) Government and State bodies

	Activity	Address	Phone	Website	Contact Person	e-mail
Ministry of Economy (MoE), General Affairs	General Affairs Department	Jurij Gagarin 15 Skopje	3892-3084476	www.economy.gov.mk	N/A	general@economy.gov.mk
MoE, SME Department	SME Department	Jurij Gagarin 15 Skopje	3892-3091541	www.economy.gov.mk	Blerim Zllatku, Sasa Sindilovski	blerim.zllatku@economy.gov.mk sasa.sindiloski@economy.gov.mk sme@economy.gov.mk
MoE, EU Integration Department	Department for EU Integration activities within MoE	Jurij Gagarin 15 Skopje	3892-3093489	www.economy.gov.mk	N/A	eui@economy.gov.mk
MoE, Tourism Department	Department on Tourism and Catering	Jurij Gagarin 15 Skopje	3892-3093540	www.economy.gov.mk	N/A	tourism@economy.gov.mk
MoE, WTO and Trade Department	WTO (World Trade Organization) and Trade Department in MoE	Jurij Gagarin 15 Skopje	3892-3093427	www.economy.gov.mk	N/A	wto@economy.gov.mk
APPRM (Agency for Promotion of Entrepreneurship)	Implementation Agency for the MoE's policy for entrepreneurship and competitiveness	Nikola Vapcarov 7 Skopje	02-3120132	www.apprm.org.mk	Avdija Pepic, Director	apprm@apprm.org.mk

Agency for Foreign Direct Investment	Promotion of FDI	Nikola Vapcarov 7 Skopje	02-3122-098	www.macinvest.org.mk	Viktor Delov, Director	contact@macinvest.org.mk
MoE, Monopoly Authority	Anti-monopoly commission	Jurij Gagarin 15 Skopje	3892-3093519	www.mon.upr.gov.mk	Rozana Vankovska	monopoly@economy.gov.mk
MoE, Institute for Metrology	National system of standards	Samoilova 10 Skopje	3892-3298115	www.economy.gov.mk	N/A	contact@economy.gov.mk
MoE, State Inspectorate on Markets	Implementation of Laws and Regulation on sales, trade, markets, consumer protection and prices	11 Oktomvri 118 Skopje	02-3162341	www.economy.gov.mk	N/A	general@economy.gov.mk
MoE, State Inspectorate for technical inspections	Implementation of Laws, regulations and standards on technical fields: energy, steam boilers, equipment, gas-oil-water pipelines, mining and geology.	Zeleznicka bb Skopje	02-3121013	www.economy.gov.mk	N/A	general@economy.gov.mk
Association of consumers	Consumer protection	Vodnjanska bb Skopje	070-246297	www.opm.org.mk	Marjana Loncar	marlon@opm.org.mk
Bureau for protection of industrial property	Protection of Intellectual and Industrial Property Rights	Bul Ilinden bb Skopje	3892-3116379	www.ippo.gov.mk	N/A	mail@ippo.gov.mk
Central Registry	Registration of new firms, one-stop-shop, register of enterprises, other activities	Bankarski centar Skopje	02-3290236	www.crm.org.mk	N/A	info@crm.org.mk

Customs Administration	Administration for customs, implementation of government, WTO and other regulations on cross border transfer.	Lazar Licenoski bb, Skopje	3892-3116188	www.customs.gov.mk	Zlatko Veterovski	zlatko.veterovski@customs.gov.mk
Energy Regulatory Commission	Independent regulatory commission for energy issues	D. Cupovski 2 Skopje	3892-3233580	www.erc.org.mk	Slave Ivanovski	slave.ivanovski@erc.org.mk
Faculty of Electrical Engineering Skopje	ICT Department	Karpos 2 bb Skopje			Aksenti Grnarov	grnarov@etf.ukim.edu.mk
Food Directorate	Quality and information on food safety standards	Bul A. Makedonski bb Skopje	02-3296822	www.zf.ukim.edu.mk	N/A	haccpinfo@zf.ukim.edu.mk
Fund for Pension and Disability Insurance	Implement and follow-up of laws and regulations on pension, insurance and disabled insurance	12 Udarna brigada bb Skopje	02-3240240	www.piom.com.mk	N/A	info@piom.com.mk
Sector for EU integration	Coordination and implementation of policies and actions for EU accession	Bul Ilindenska bb Skopje	3892-3118022	www.sei.gov.mk	Gabriela Konevska-Trajkovska, VP for EU Integration	info@sei.gov.mk
Institute for Standardization	National system of standards	Vasil Glavinov bb Skopje		www.isrm.gov.mk	Zaklina Sekovska Zoran Dimitrievski	isrm@isrm.gov.mk
Institute of Economics	Economic development			www.ukim.edu.mk	Blagoja Nanevski	nanevski@ek-inst.ukim.edu.mk

Securities and Exchange Commission	Stock market regulatory body	Kliment Ohridski 54, Skopje	02-3290975	www.sec.gov.mk	N/A	contact@sec.gov.mk
Stock Exchange			02-3122055	www.mse.org.mk	N/A	info@mse.org.mk
Ministry of Labour and Social Policy		Vasil Gorgov 43 Skopje	02-3117288	www.zvrm.gov.mk	N/A	info@zvrm.gov.mk
Ministry of Transport and Communication		Dame Gruev 14 Skopje	3892-3145401	www.mtc.gov.mk	N/A	mtc@mtc.gov.mk
MoF (Ministry of Finance)		Dame Gruev 14 Skopje	3892-3117288	www.finance.gov.mk	N/A	finance@finance.gov.mk
MoF (Ministry of Finance)	Investment Department	Jurij Gagarin 15 Skopje	3892-3117288	www.finance.gov.mk	Tahir Sakiri	finance@finance.gov.mk
MoF Public Revenue Office	Tax administration	11 Oktomvri bb Skopje	3892-3299500	www.ujp.gov.mk	N/A	info@ujp.gov.mk
Ministry of Foreign Affairs		Dame Gruev 6, Skopje	3892-3110333	www.mnr.gov.mk	N/A	mnr@mnr.gov.mk
Ministry of Labour, International Cooperation Department	International cooperation on labour legislation and practice, exchange of information	Dame Gruev 14 Skopje	3892-3117288	www.mtsp.gov.mk	N/A	N/A

National Bank of the Republic of Macedonia	Central Bank	Komlex Banki bb Skopje	3892-3108108	www.nbrm.gov.mk	N/A	info@nbrm.gov.mk
NBRM Banking Supervision Department	Banking Supervision Department	Komlex Banki bb Skopje	02-3108236	www.nbrm.gov.mk	Dragana Vukobrat	vukobratd@nbrm.gov.mk
State Office for Geodetic Works	Cadastre of properties			www.katastar.gov.mk	N/A	info@katastar.gov.mk
Telecommunication Directorate Skopje	Regulator for the telecommunications industry	Dame Gruev 1 Skopje	02-322451	www.mtc.gov.mk	N/A	

b) Donors and donor projects

	Activity	Address	Phone	Website	Contact Person	e-mail
BAS (Business Advisory Services), EBRD	Support to SMEs by promotion and support of Advisory services.	Bul. Ilindenska 47, Skopje	02-3135078	www.basprog.com.mk	Jovan Gavrilovski	jovang@basprog.com.mk
BAS, EU-funded environment project	Compliance and Implementation of IPPC (Integrated Pollution Prevention Control)	Bul. Ilindenska 47, Skopje	02-3135078	www.basprog.com.mk	Jovan Gavrilovski	jovang@basprog.com.mk
CRS (Catholic Relief Services) Horizon and Govt. of Norway, Micro financial services	Micro loans for entrepreneurs and SMEs	Rampo Levkata 14, Skopje	02-3093371	<u>None</u>	Vase Davaliev	VDavaliev@horizonti.org.mk
EAR (European Agency for Reconstruction)	Development agency of the European Commission for Serbia, Montenegro, Kosovo, former Yugoslav Republic of Macedonia	Macedonia st., Skopje		www.ear.europa.eu	George Papagiannis	george.papagianis@ear.eu.int
EAR CARDS Program	Increasing employment & SME development		02-3286737	www.ear.europa.eu	Jutta Bulling	jutta.bulling@ear.eu.int

EAR project HRDF-3	HR development in enterprises SME support	Vasil Glavinov, blok 10, Skopje	02-3222773	www.hrdf3.org.mk	Chr. Olesen, Team Leader	info@hrdf.org.mk
EAR Project SME Development	SME development support, job creation, institutional support	Nikola Vapcarov 7, Skopje	02-3286700 02-3216825	www.smedp.org.mk	Dr Heinrich Poell, Team leader	heinrich.poell@smedp.org.mk
e-Biz National Tourism Portal	e-Biz portal for promotion of Tourism industry, Internet sales, tourism information	Partizanski odredi 62, Skopje	02-3080111	www.exploringMACEDONIA.com	Sasa Gavrilovic	sasha@exploringMACEDONIA.com
e-Biz Portal of Fashion industry: FashionMK	Provide services to fashion manufacturers, promotion, information, advertising & logistics support	Bul Goce Delcev bb (MRTV) Skopje	02-3290690	www.fashionmk.com	Marina Svilecic	m.svilecic@cyberlink.com.mk
EU CARDS. Implementor : EU Patent Office	Trade policy & regulation. Intellectual and Industrial Property Rights. Legislation.	EU Patent Office Belgrade	381-11-630499	www.ear.europa.eu	Cedric Mabilotte	cedric@mabilotte.com
Foundation Open Society Institute (Soros)	Activities in microfinance. credit lines for SMEs, Industry and Agri sector.	Bul Jane Sandanski 111, Skopje	02-2444488	www.soros.org.mk	Fani Karanfilova	fkaranf@soros.org.mk

GTZ EU approximation	EU approximation process, legislation & capacity building	Apostol Guslarot 40 Skopje	02-3296825	www.gtztechno.com.mk	Sonja Andonova	gtztechno@on.net.mk
GTZ German-Macedonian Business Association	Linkages with German firms	Apostol Guslarot 40 Skopje	02-3296825	www.dmwv.org.mk	Vasil Minovski	minovski.dihk@mt.net.mk
GTZ PSP	GTZ Private Sector Promotion in the Western region	JNA 18, Tetovo	44-350961	www.gtzpsp.com.mk	Arben Rusaj	gtzpspte@on.net.mk
GTZ Technology Transfer	Legislation, capacity building, favourable business climate for technology transfer .	Apostol Guslarot 40 Skopje	02-3296825	www.gtztechno.com.mk	Sonja Andonova	gtztechno@on.net.mk
GTZ-REDEM (<i>Regional Economic Development for Eastern Macedonia</i>)	Regional support for employment in 19 municipalities	Zeleznicka bb, Skopje, POB 377	02-3290751	www.gtzredem.com.mk	Aleksandar Karaev	gtzredem@mt.net.mk
INCEBO. International Certification Body for Agri & Food Processing Industry	Services on HACCP, ISO 9001 EURGAP, etc.	Miladin Popovic 4 Skopje	02-3065560	www.incebo.com.mk	Nikola Cholakovski	colakovski@incebo.com.mk

Italian Institute for Foreign Trade (ICE)	Database of Italian firms in all industries. Provide information, support for Italian businesses, matchmaking, etc	Macedonia str. Skopje	02-3296256	www.ict.it	Giancarlo Rochelli	skopje.skopje@ice.it
MEDF (<i>Macedonian Enterprise Development Foundation</i>), NL supported	Capacity building of Agricultural Association, farmers, entrepreneurs. Financial and non-financial services	Nikola Parapunov bb Skopje	02-3065381	www.mrfp.org.mk	Tetjana Lazarevska	mrfp@mrfp.org.mk
Norway Program: Partnership for employment generation	Implemented by UNDP. Increasing employment and SME development	Dimitrie Cupovski 6 (zgrada Granit,AD)		www.undp.org.mk	Zlatka Popovska Stamboliska	zlatka.popovska@undp.org.mk
Sintef	Improvement of private SMEs production oriented, various industries. TA in innovative technologies, training.	Risto Ravanski 15 Skopje	02-3092813	www.sintef.com	Nevenka Pendevska	np@mir.org.mk
SINTEF Norway with Soros Open Society Institute	YES ("Young Entrepreneurs Support") project, business incubator for young people.	Risto Ravanski 15 Skopje	02-3092813	www.yesincubator.org.mk	Ljupco Despotovski	ld@mir.org.mk

SINTEF Norway, Industrial management	Business development, TA to firms, value chains, job creation.	Risto Ravanski 15 Skopje	02-3077008 070-544205	www.sintef.org.mk www.sintef.no	Nevenka Pendevska Gabriela Kostovska	np@mir.org.mk gabriela@mir.org.mk
Swiss Agency for Development & Cooperation (SDC)	Support to SMEs in export promotion. Development in Region of Prilep (PREDA)	PREDA, Rampo Levkata 8, Prilep	048-401581	www.preda.com.mk	Willy Parlmeyer	wparlmeyer@mt.net.mk m.bozinovska@preda.com.mk
Soros. Open Society Institute Foundation	Economic Reform Program. Projects for young entrepreneurs, small business, small farmers and Roma populations	Bul Jane Sandanski 111 Skopje	3892-2444488	www.soros.org.mk	Zoran Cali adm.dir.	zcali@soros.org.mk
SIPPO	Swiss Import Promotion program	Maksim Gorki 19 Skopje		www.sippo.ch	Natalia Puntevska	sippo.skopje@sdc.net
UNDP Comprehensive policy support to the National development agenda	Institutional capacity building	Dimitrie Cupovski 8 (zgrada Granit,AD) Skopje	02-3115033	www.undp.org www.undp.org.mk	Vesna Bisheva	vesna.biseva@undp.org.mk

UNDP Job Creation Program	Increasing employment & SME development. Social security.	Dimitrie Cupovski 8 (zgrada Granit,AD) Skopje	02-3166335	www.undp.org www.undp.org.mk	Jovan Madjovski	jovan.madjovski@undp.org.mk
UNDP United Nation Development Program	Institutional capacity building and economic development	Dimitrie Cupovski 8 (zgrada Granit,AD) Skopje	02-3116335	www.undp.org www.undp.org.mk	Frode Mauring, UNDP resident	fraude.mauring@undp.org
UNDP Development of Enabling Economic Environment	Development of enabling economic environment in municipalities	Dimitrie Cupovski 8 (zgrada Granit,AD) Skopje	02-3119290	www.undp.org.mk	Jovan Madjovski	jovan.madjovski@undp.org.mk
UNDP/Norway	Capacity building of local government. Enabling economic environment (Stip & Kicevo)	Dimitrie Cupovski 8 (zgrada Granit,AD) Skopje	02-3116335	www.undp.org www.undp.org.mk	Vasko Karangeleski	vasko.karangeleski@undp.org.mk
UNDP/Norway	Partnership for employment generation. SME development.	Dimitrie Cupovski 8 (zgrada Granit,AD) Skopje	02-3116335	www.undp.org www.undp.org.mk	Vasko Karangeleski	vasko.karangeleski@undp.org.mk

UNDP/Norway Employment Mediation for Young Unemployed	Increasing employment & SME development	Dimitrie Cupovski 8 (zgrada Granit,AD) Skopje	02- 3116335	www.undp.org www.undp.org.mk	Zlatka Popovska Stamboliska	zlatka.popovska@undp.org.mk
USAID - MCA (Macedonian Competitiveness Activities)	Increase overall competitiveness of private enterprises. Establishment of 5 industrial clusters. Support to NECC. (closed in Sept. 2006)	Bucurest 133 Skopje		www.usaid.org.mk	Suzy Hagen	The project is closed
USAID (Roma Education Project)	To increase school enrolment and improve academic performance among Roma children. Roma info centre.	Garcija Lorka 15 Suto Orizari, Skopje	02- 2656900	www.usaid.org.mk	Shemsi Shainov	rbic@mt.net.mk
USAID. Saving house FULM. Rural Financial Project. Closed September 2006	Saving house (Credit Union) for individuals in rural areas. FULM has over 3800 members with over 1M deposits.	MH Jasmin 48 Skopje	02- 3093371 3115244	www.fulm.com.mk	Eleonora Zgonjanin	info@fulm.com.mk

USAID Agribusiness Assistance	To help SMEs in meat and dairy sector through improved quality. The Project expanded in fruit and vegetable industries.	Jurij Gagarin 15, Skopje	N/A	www.usaid.org.mk	N/A	N/A
USAID Aid to Artisans (ATA)	Support, TA, information, for artisans and crafts people	Ilindenska 50 Skopje	02-3296412	www.aidtoartisans.org	Zoran Todorovski	zoran_todorovski@aidtoartisans.org
USAID Creative Teaching & Learning	Project to support and develop primary and secondary students into creative and critical thinking.	Jurij Gagarin 15, Skopje		www.usaid.org.mk	N/A	N/A
USAID e-biz Local economic activities	Help SMEs to use ICT for distribution and logistics, modernization of business processes, etc.	Mitropolit T.Gologanov 57 Skopje	02-3217755	www.ebiz.org.mk	Zoran Ilievski	zilevski@edc.org
USAID e-Government Impact Project	To encourage and implement e-Government standards. Capacity building.	N/A	N/A	www.usaid.org.mk	N/A	N/A
USAID e-schools project	To help teachers and students in popularization of ICT in primary and secondary schools.	N/A	N/A	www.usaid.org.mk	N/A	N/A

USAID Land O-Lakes Marketing of Agri business (MAMA)	Increased competitiveness in agribusiness, better marketing, sales, Seal-of-quality, TA	Kej 13 Noemvri bb Skopje	02-3230373	www.landolakes.org.mk www.sealofquality.org.mk	Igor Vecovski	igor@landolakes.org.mk
USAID MACEDONIA Connects	Support for broadband Internet access in all schools throughout the country.	N/A	N/A	www.usaid.org.mk	N/A	N/A
USAID Moznosti. Opportunity International	Microfinance for farmers, entrepreneurs, start-ups.	Bul Jane Sandanski 111, Skopje	02-2401051	www.moznosti.com.mk	Katerina Ristic	moznosti@moznosti.com.mk
USAID SEA (Secondary Education Activity)	Entrepreneurship learning in schools. Virtual and real firms in economic and technical schools.	11 Oktomvri 32 Skopje	02-3216425	www.sea.org.mk	Roger Steincamp	rsteinkamp@sea.org.mk
USAID SME Fund	Loans for working capital, export promotion, etc.	NN Borce 76	02-3231561	www.smef.com.mk	Dragan Martinovski	smefund@smef.com.mk
USAID support to higher education SEE University	Support to SEE University in Tetovo established 2001	N/A	N/A	www.usaid.org.mk	N/A	N/A
The World Bank. Private sector development	Improving business environment and regulatory reforms	Leninova 34 Skopje	3892-3117159	www.worldbank.org www.worldbank.org.mk	N/A	info@worldbank.org

c) Domestic Banks

	Activity	Address	Phone	Website	Contact Person	e-mail
National Bank	Central Bank	Centar Banki bb Skopje	3892-3108108	www.nbrm.gov.mk	N/A	info@nbrm.gov.mk
Macedonian Bank for Development Promotion (MBDP)	Promotion of economic development, credit line management for SMEs.	V. Vlahovic 26, Skopje	3892-3115844 3015814	www.mbdp.com.mk	N/A	info@mbdp.com.mk
Stopanska Banka Skopje	One of largest banks	Kej 13 Noemvri bb, Skopje	02-3093366	www.stb.com.mk	N/A	info@stb.com.mk
Komercijalna Banka Skopje	One of the largest banks. All kind of banking, e-banking	Kej D. Vlahov bb, Skopje	3892-2451289	www.kb.com.mk	N/A	info@kb.com.mk
IK (Export and Credit Bank) Skopje	Bank with 8 units in the country	11 Oktomvri 8, Skopje	02-3224975	www.ikbanka.com.mk	N/A	info@ikbanka.com.mk
Makedonska Banka Skopje	Credit, investment and banking operations	Bul VMRO 3, Skopje	3892-3117111	www.makbanka.com.mk	N/A	info@makbanka.com.mk
Stopanska Banka Skopje	One of largest banks	Kej 13 Noemvri bb, Skopje	02-3093366	www.stb.com.mk	N/A	info@stb.com.mk

Ohridska banka	Credit, investment and banking operations	M. Prosvetiteli 19, Ohrid	046-206600	www.ob.com.mk	N/A	obinfo@ob.com.mk
Postenska banka (Post Bank) Skopje	Savings and banking operations	Orce Nikolov bb, Skopje	3892-3214111	www.postbank.com.mk	N/A	bank@postbank.com.mk
Pro Credit Bank Skopje	Micro Loans and Credits, saving and banking operations	Marks & Engels 3, Skopje	3892-3219900	www.procreditbank.com.mk	N/A	onfo@procreditbank.com.mk
Teteks Kreditna Banka	Savings, credits and investment support	Naroden front 19 Skopje	3892-3236400	www.tkb.com.mk	N/A	kreditnosk@kb.com.mk
Tutunska Banka Skopje	Savings, credits and investment support	12 Udrana brigada bb, Skopje	3892-3105600	www.tb.com.mk	N/A	tbanka1@tb.com.mk
UNI BANKA Skopje	Savings, credits and investment support	Dame Gruev 7 Skopje	3892-3210935	www.unibank.com.mk	N/A	info@unibank.com.mk
ALFA BANK Greece	Savings, credits and investment support	Dame Gruev 1 Skopje	02-3135206	www.alfabank.com.mk	N/A	contact@alfabank.com.mk

d) Other Financial Institutions

	Expertise	Address	Phone	Website	Contact Person	e-mail
EBRD (European Bank for Reconstruction and Development)	Development financing	Dame Gruev 14, Skopje	3892- 3297800	www.ebrd.com	N/A	info@ebrd.com
Euro leasing	Leasing cars and equipment	Vasil Glavinov 12, TCC Plaza	02-3233486	www.eurolesing.com.mk	N/A	info@euroleasing.com.mk
State Guarantee Fund	Managed by Board of MBDP	V. Vlahovic 26, Skopje	3892- 3115844 3015814	www.mbdp.com.mk	N/A	info@mbdp.com.mk
MCIC Guarantee Fund	GF (Guarantee Fund) established by MCIC	N. Parapunov bb, Skopje	02-3065381	www.mrfp.org.mk	Tetjana Lazarevska	mrfp@mrfp.org.mk
SIDA Guarantee Fund	GF established by SIDA. NGO, provides guarantees for SME financing.	Bul Jane Sandanski 15, Skopje	02-2403377	www.gfund.com.mk	Aneta Atanasovska	guarantee@gfund.com.mk
Fonko leasing	Leasing of equipment	Naroden Front 17, Skopje	3892- 3299799	www.fonko.com.mk www.fonko.net	Ljupco Popovski	fonko@fonko.com.mk

FULM Credit Union	Saving house (Credit Union) for individuals in rural areas. FULM has over 3800 members with over 1M deposits.	MH Jasmin 48 Skopje	02-3093371	www.fulm.com.mk	Eleonora Zgonjanin	info@fulm.com.mk
Horizonti CRS	Microfinance program of Catholic Relief Services financed by Norwegian Government	Rampo Levkata 14, Skopje	02-3093371	N/A	Vase Davaliev	VDavaliev@horizonti.org.mk
LBIS Leasing	Leasing of vehicles and equipment	MH Jasmin 20 Skopje	02-3290550	www.lizing.com.mk	N/A	info@lbis.com.mk
MOZNOSTI (Opportunity International)	Supported by USAID. Provides financial services for micro , small and medium enterprises	Bul J. Sandanski 111 Skopje	02-2401051	www.moznosti.com.mk	Katerina Ristic	moznosti@moznosti.com.mk
SEAF (Small Enterprise Assistance Fund)	SEAF private equity fund. Venture Capital and TA for high potential, high growth SMEs	8 Udarna brigada Skopje	02-3079611	www.seaf.com.mk	Vladimir Pesevski	office@seaf.com.mk
SME Commercial Finance Fund	Funded by USAID, managed by Crimson Capital.	NN Borce 76, Skopje	3892-3231561	www.smef.com.mk	Dragan Martinovski	smefund@smef.com.mk
USAID SME Fund	Provides loans for working capital, export promotion, etc.	NN Borce 76	02-3231561	www.smef.com.mk	Dragan Martinovski	smefund@smef.com.mk
WB	Private sector development	Leninova 34, Skopje	3892-3117159	www.worldbank.org	Jasminka Varnalieva	jvarnalieva@worldbank.org

e) Business Associations relevant to SME sector

	Activities	Address	Phone	Website	Contact Person	e-mail
EBA (European Business Association)	Non-for-profit Business Association of firms with an EU orientation.	Belasica 2 (Skopje Fair) Skopje	02-3218397	www.eba.com.mk	Dimitar Ristovski	ristovski@eba.com.mk
North-West Chamber of Commerce	Provide information, advisory, mediation, communication for private enterprises from NW region. Organize seminars, fairs, exhibitions and other events.	Ilindenska 157 Tetovo	044-343354	N/A	Dzemail Dauti President	Chamber-northwest@mt.net.mk
Chamber of Handicrafts	Established 1932. Provide consulting and accounting support for members. Implement EAR project for training of unemployed.	Bitpazarska 12, Skopje	02-3222957	N/A	Snezana Denkovska	zanaet@unet.com.mk
Economic Chamber Association of Energy & Metallurgy	Part of the activities of Economic Chamber of Commerce	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Mihajlo Manev	manev@ic.mchamber.org.mk
<i>Economic Chamber of Macedonia</i>	General business chamber	Dimitrie Cupovski 13 Skopje	02-3116543	www.mchamber.org.mk	Slavica Bogeva	ic@ic.mchamber.org.mk

Economic Chamber of Macedonia – Center for SME development	Support for the process of Internationalization of SMEs	Dimitrie Cupovski 13 Skopje	02-3227814	www.mchamber.org.mk	Slavica Bogeva	ic@ic.mchamber.org.mk
Economic Chamber. Association of Agri and Food processing industry	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Stojmirka Tasevska	stojmirka@ic.mchamber.org.mk
Economic Chamber. Association of Banking and Finance	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Slavica Bogeva	slavica@ic.mchamber.org.mk
Economic Chamber. Association of catering and tourism industry	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Zorica Meskova	zorica@ic.mchamber.org.mk
Economic Chamber. Association of Chemical industry	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Liljana Cadikovska	cadik@ic.mchamber.org.mk

Economic Chamber. Association of communalities	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Marija Petroska	marija@ic.mchamber.org.mk
Economic Chamber. Association of Construction, engineering, construction materials and non-metal industry	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Marija Petroska	marija@ic.mchamber.org.mk
Economic Chamber. Association of consulting and professional services	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Afrodita Patceva	dita@ic.mchamber.org.mk
Economic Chamber. Association of ICT industry- MASIT	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.masit.org.mk	Anita Nikolovska	anita@masit.org.mk
Economic Chamber. Association of Insurance	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Stanka Damjanovska	stanka@ic.mchamber.org.mk

Economic Chamber. Association of Leather-processing industry	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Goce Lape	lape@ic.mchamber.org.mk
Economic Chamber. Association of marketing and media	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Stanka Damjanovska	stanka@ic.mchamber.org.mk
Economic Chamber. Association of Metal Processing and Electro industry	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Vojkan Nikolovski	vojkan@ic.mchamber.org.mk
Economic Chamber. Association of Paper and Cellulose industry	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Pero Avakumovski	pero@ic.mchamber.org.mk
Economic Chamber. Association of Textile and Apparel industry	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Stojanka Stojanova	stojanka@ic.mchamber.org.mk

Economic Chamber. Association of tobacco industry	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Jorgo Angelevski	jorgo@ic.mchamber.org.mk
Economic Chamber. Association of tobacco industry	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	02-3118088	www.mchamber.org.mk	Vasko Ristovski	vasko@ic.mchamber.org.mk
Economic Chamber. Association of trade industry	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	3892-3118088	www.mchamber.org.mk	Nadica Petrusseva	nadica@ic.mchamber.org.mk
Economic Chamber. Association of transport and electronic communication industry	Sectoral association within the Chamber	Dimitrie Cupovski 13 Skopje	3892-3118088	www.mchamber.org.mk	Mitko Mitevski	mitko@ic.mchamber.org.mk
Economic Chamber. Center for Quality Assurance in products-services	Consulting services for implementation of ISO 9001, HACCP, ISO 14001, other certification systems	Dimitrie Cupovski 13 Skopje	02-3163200	www.mchamber.org.mk	Emilija Todorovska	ic@ic.mchamber.org.mk

Business Lawyer Association	Association of the Commercial and Business Law experts and lawyers	Bul Krste Misirkov bb	02-3131084	www.mbla.org.mk	Liljana Cekova	mbla@mbla.org.mk
MCA-2000	Association of BSPs (Business Services Providers and certified management consultants, CMC)	Petar Pop Arsov 19 Skopje	3892-3126254	www.mca-2000.org.mk	Zivko Dimov President Mihajlo Konevski	secretary@mca-2000.org.mk
MASIT (Association of IT firms)	Business Association of IT firms	D.Cupovski 13, Skopje	02-3238601	www.masit.org.mk	Ljubisav Lazarevic	contact@masit.org.mk
MTN (Macedonian Trainers Network)	Data base on trainers		N/A		Jovan Madjovski	slavica@vработuvanje.com.mk
UNION OF CHAMBERS	Improving the competitiveness of members. Improving the business environment, networking, export promotion, Internationalization.	Prashka 23 Skopje	02-3091440	www.sojuzkomori.org.mk	Tatjana Perovic Mitrova	info@sojuzkomori.org.mk
Union of chambers. Chamber for Agri-Food-Food processing industry	Sectoral association within the Chamber	v. Lozovo	02-3091440	www.sojuzkomori.org.mk	Violeta Angelkovska	zemjodelska@sojuzkomori.org.mk

Union of chambers. Chamber for services	Sectoral association within the Chamber	Prashka 23 Skopje	02-3091440	www.sojuzkomori.org.mk	Vladimir Matevski	usluzna@sojuzkomori.org.mk
Union of chambers. Industrial chamber	Sectoral association within the Chamber	Prashka 23 Skopje	02-3091440	www.sojuzkomori.org.mk	Tatjana Perovic Mitrova	tmitrova@sojuzkomori.org.mk
Union of chambers. Trade chamber	Sectoral association within the Chamber	Prashka 23 Skopje	02-3091440	www.sojuzkomori.org.mk	Ljupka Stojanovska	trgovska@sojuzkomori.org.mk

f) Service providers for SMEs

	Activities	Address	Phone	Website	Contact Person	e-mail
EuroInfo Correspondence Centre MK-324 (EAR EU funded)	First stop-shop for SMEs in all matters relating to EU. Information matchmaking, partners, new markets, dw ata base.	Dimitrie Chupovski 13, Skopje	3296181	www.euroinfo.org.mk	Jadranka Arizankovska	info@euroinfo.org.mk
ESA Gostivar	TA in establishing new enterprises, local SMEs, consulting, business plans, investment services, internet research for matchmaking, fairs, exhibitions, etc.	Braca Ginovski 6 Gostivar	042- 221080	www.esa.com.mk	Muzafer Tahiri	esagv@esa.com.mk
ESA Ohrid	TA in establishing new enterprises, local SMEs, consulting, business plans, investment services, internet research for matchmaking, fairs, exhibitions, etc.	Turisticka bb Ohrid	046- 260187	www.esa.com.mk	Toni Cvetanovski Mimoza Popovska	esaoh@mt.net.mk
ESA Tetovo	First established by British Know-how fund, provides support for SMEs in Tetovo	JNA 18, Tetovo	044- 350960	www.esa.com.mk	Nebi Jusufi	esate@mt.net.mk

MEDF- <i>Macedonian Enterprise Development Foundation</i>	Capacity building for entrepreneurs and small farmers, financial and non-financial support, business plans, etc.	Nikola Parapunov bb Skopje	02-3065381	www.mrfp.org.mk	Tetjana Lazarevska	mrfp@mrfp.org.mk
PREDA (Prilep Regional Enterprise Development Agency)	Support to SMEs in export promotion in the Prilep region (PREDA)	PREDA, Rampo Levkata 8, Prilep	048-401581	www.preda.com.mk	Willy Parlmeyer	wparlmeyer@mt.net.mk m.bozinovska@preda.com.mk
RESC Skopje Regional Enterprise Support Centre	Help-desk for SMEs from Skopje, information and counselling. Design , planning, implementation, monitoring, support for applications to donors	Dame Gruev bb (TCC Plaza) Skopje	02-3296065	<u>N/A</u>	Svetlana Kirevska	resc@skopje.gov.mk
RESC Bitola	Support for SMEs in Bitola with advisory, information and other services.	Bul 1 May bb Bitola	047-202420	<u>N/A</u>	Dragan Damjanovski	rcbt@rcbt.mt.net.mk
RESC Kumanovo	Support for SMEs from Kumanovo with advisory, information and other services.	Iindenska bb Kumanovo	031-416102	www.rku.org.mk	Blage Mladenovski	razvojku@mt.net.mk
RESC Strumica	Support for SMEs from Strumica with advisory, information and other services.	11 Oktomvri bb Strumica	034-349320	<u>N/A</u>	Ilija Gataroski	rcsr@mt.net.mk
RESC Veles	Support for SMEs from Veles with advisory, information and other services.	Dimitar Vlahov 57 Veles	043-223700	<u>N/A</u>	Tome Meckarovski	rcve@mt.net.mk

Roma Business Info Centre	Support to the employment of Roma through business education, mentoring, coaching, support to Roma business related programs	Garcija Lorka 15, Suto Orizari, Skopje	3892- 2656900	<u>N/A</u>	Shemsi Shainov	rbic@mt.net.mk ssainov@yahoo.com
CIPOZ (Centre for Applied R&D in Agricultural Industry)	Technology transfer for SMEs , training, R&D, new technologies, consulting, quality control	Bul. Aleksandar, Skopje	02- 3115277	www.zf.ukim.edu.mk	Josif Mitricevski	cipoz@zf.ukim.edu.mk
CIRKO (Centre for R&D and Continual Education)	Part of Faculty of Mechanical engineering	Karpos 2 bb, Skopje	02- 3099249	www.mf.ukim.edu.mk	Valentina Gechevska	gecevska@ukim.edu.mk
CIRKO MES, e-biz Faculty for Mechanical engineering	Centre for engineering systems, tool design, NC programming, CAD-CAM, 3D design.	Karpos 2 bb, Skopje	02- 3063374	www.cirko-mes.com	Kristijan Jakimovski	jakimovski@gmail.com



Small and Medium-Size Enterprise Development – Government and Private Sector

An EU-funded project managed by the European Agency for Reconstruction
implemented by GFA Consulting Group, Hamburg/Germany