

**FORMER YUGOSLAV REPUBLIC
OF MACEDONIA**

**DATA COLLECTION SURVEY ON
PRIVATE SECTOR DEVELOPMENT**

FINAL REPORT

June, 2013

Japan International Cooperation Agency (JICA)

Japan Development Service Co., Ltd

List of Abbreviations

APERM	Agency for Promotion of Entrepreneurship of the Republic of Macedonia
AOTS	Association for Overseas Technical Scholarship
BAS	Business Advisory Service
BDS	Business Development Service
BIC	Business Incubation Centre
BSO	Business Support Organization
CBI	Centre for Promotion of Imports from Developing Countries
CEN- CENELEC	European Committee for Standardization- European Committee for Electro technical Standardization
EBRD	European Bank for Reconstruction and Development
DTIDZ	Directorate for Technological Industrial Development Zones
EC	European Commission
ECP	Export Coaching Programmes
EGP	Enterprise Growth Programme
ESA	Enterprise Support Agency
ECM	Economic Chamber of Macedonia
EIICM	European Information and Innovation Centre in Macedonia
EU	European Union
FDI	Foreign Direct Investment
FP7	Seventh Framework Programme for Research and Technological Development
GDP	Gross Domestic Products
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HACCP	Hazard Analysis and Critical Control Point
HIDA	The Overseas Human Resources and Industry Development Association
HRM	Human Resource Management
ICT	Information, Communication and Technology
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
ISO	International Standards Organization
JICA	Japan International Cooperation Agency
JODC	Japan Overseas Development Corporation
LED	Local Economic Development

MCC	Macedonian Chambers of Commerce
MMF	Match Making Fund
MoE	Ministry of Economy
MoES	Ministry of Education and Science
NATO	North Atlantic Treaty Organization
OECD	Organization for Economic Co-operation and Development
OJT	On the Job Training
R&D	Research and Development
PREDa	PreliP Region Enterprise Support Agency
PSI	Program for Sustainable Investment
RESCs	Regional Enterprise Support Centres
RBIC	Roma Business Information Centre
RED	Regional Economic Development
RTDI	Research, Technology, Development and Innovation)
SDC	Swiss Agency for Development and Cooperation
SECI	Strengthening Entrepreneurship, Competitiveness and Innovation
SECO	State Secretariat for Economic Affairs
SIPPO	Swiss Import Promotion Programme
SSO	State Statistical Office
SME	Small and Medium-size Enterprise
SMRJ	Organization for Small & Medium Enterprises and Regional Innovation in Japan
TAM	Turn Around Management
TIARM	Technology and Innovations Agency of the Republic of Macedonia
TIDZ	Technological Industrial Development Zones
TTC	Technology Transfer Centre
USAID	US Agency for International Development
WB	World Bank

(Executive Summary)

(Study backgrounds)

Private sector development is a key element to positive economic development in the Former Yugoslav Republic of Macedonia (hereinafter 'Macedonia'). With regard to that, a variety of support activities by public as well as private institutions have been implemented in Macedonia under the 'National Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia 2010-2020,' which recognizes strengthening of entrepreneurship and actions to informal economy as prioritized issues.

Under various technical and financial supports for private sector development by these institutions, Japan International Cooperation Agency (hereinafter 'JICA') has regarded 'private sector development' as a crucial element for inclusive economic development. JICA would consider embarking on more contribution to that through further technical assistance besides previous or on-going efforts.

For that purpose, it is essential to conduct in-depth information collection and analysis on various issues and JICA experts are dispatched in order to implement the following responsibilities:

- (1) To clarify current conditions of government policies as well as surrounding Macedonian business environment, including actions conducted by various public and private institutions
- (2) To consider the basic direction of JICA's future possible technical assistance in the field of private sector development

Based on the study, the following issues are clarified.

(1) Macroeconomic conditions

The value of GDP of Macedonia with 215 million people was €7,300 million in 2011. Macedonia domestic markets are relatively smaller than other countries. With regard to sector-wise GDP share, the share of the industrial sector decreased from 44.5% (1990) to 27.8 % (2010). In particular, the share of manufacturing sector against the total GDP substantially decreased from 35.7% (1990) to 15.6% (2010) over the last two decades. However, it must be noticed that from the point of number of employed people, 100,878 employees are employed in the manufacturing sector, which has the biggest share among all sectors.

The trade structure can be defined by an excess of imports over exports in value terms.

Meanwhile, the main export items are manufacturing products made from raw materials (steel, metal processing products, etc.) with a share of 25.93% against the total export value. If export items such as mechanical equipment or transportation equipment and others (e.g. textile) are included, the export share against the total value of exports amounts to 55.14%. Main import items are also manufacturing products (steel, metal processing products, machinery, etc.). Macedonia has a trade pattern whereby materials to produce manufactured goods and various items that are not produced in Macedonia are mostly imported, while manufactured goods that are made of imported materials are mainly exported.

It must surely be noted that the GDP share of the industrial sector has decreased while that of the service sector has increased, although it must be remembered that the main export items are still manufacturing products. Under the condition that domestic consumption, government expenditure, domestic investment are limited due to small markets, it is very important to increase exports to foreign markets with a view to increasing Macedonian GDP. On a macroeconomic level, strengthening competitiveness in manufacturing sector is essential.

Sectors such as agriculture and processing, auto-components, ICT sector and so on are regarded as major sectors in terms of evaluation of employment, potential growth, and GDP share. These sectors are targeted for foreign investment; in reality for 2012-15, 518 investment plans are registered, including 204 investment plans related to the automobile sector.

Various investigations are done by donors such as World Bank on the micro level of enterprises. Based on the study by World Bank, business environment of Macedonia is ranked as 23rd among 185 countries or areas in 2013. In particular, 'Trading across borders' dropped from 67 to 76 while 'Access to electricity' rose from 121 to 101.

Based on the report of World Economic Forum 2012-13, 'The Global Competitiveness Report 2012–2013', Macedonia is ranked as 23rd among 144 countries. Macedonian infrastructure, institutions, innovation, business specifications, market size, technology readiness, financial market development, labour market efficiency, goods market efficiency, higher education and training are lowly evaluated. In particular, innovation is ranked as 110 and business sophistication is ranked as 111 among 144 countries.

These conditions indicate that enterprises themselves still do not have sufficient competitiveness as shown in the fact that innovation is ranked as 110 and business specification is ranked as 111, while business environment is organized to a certain level. Technological accumulation is not sufficient in enterprises and they urgently require technical assistance.

(2) Basic framework of private sector development

In Macedonia, various policies are formulated such as National Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia 2010-2020, Revised National Development Strategy for Small and Medium-Sized Enterprises (2002 – 2013), Industrial Policy of Republic of Macedonia: 2009-2020, or Innovation Strategy for 2012-2020; however, the process to put these policies into implementation is not sufficiently established; therefore, it frequently takes much time to do.

These conditions may be caused because of insufficient capacity-building of staff at the concerned ministers or agencies etc.; in addition, insufficient allocation of budgets makes these institutions difficult to conduct their own project. In many cases, they are involved in some form of co-financing with donors for projects.

Through the study, it was found that various public and private support institutions (universities, Economic Chamber of Macedonia, Macedonian Chambers of Commerce, BSO (RESC, ESA, etc.) and private incubation centres are valuable resources with which the government can collaborate.

Donors such as Dutch embassy, EBRD, EU, GIZ, SDC and USAID are fund providers and implementers of supports for private sector development.

(3) Summary

As described in the previous section, a variety of sectors exist; however, technical assistance to strengthen manufacturing sector, which is very essential to job creation, export and GDP expansion, is insufficiently provided by government or donors.

In particular, the Government of Macedonia regards technical assistance to not only strengthening the manufacturing sector but also promoting technology and innovation as essential. Moreover, technical assistance to investment promotion may also lead to promotion of technological transfer, job creation and export expansion. In the followings, some possibilities of JICA technical assistance in future are summarized in the followings;

(Possibility of JICA's Technical Cooperation in Future)

- 1) Technical assistance for strengthening of manufacturing capability (technical cooperation project)
- 2) Technical assistance for technology and innovation (technical cooperation project)
- 3) Trade and investment promotion (dispatch of an expert)

(Possibility of JICA technical assistance in future: draft)

Field and Type of Assistance	Objectives and Contents of Assistance		Comments by the JICA Expert
1) Technical assistance for strengthening of manufacturing capability (technical cooperation project)	- Background and objectives of assistance	<p>(Background of the assistance)</p> <ul style="list-style-type: none"> - Since the time of the Socialist Federal Republic of Yugoslavia, Macedonian manufacturing sectors such as metal-processing or auto-components have been established and have still more growth potential; in reality, some European or American enterprises have established a company. - In the area of small and medium-sized enterprises, the manufacturing sector is the main source of employment (employing 21.98% of all workers) and it accounts for 25.93% of the value of exports, which are contributing to GDP growth. If export items such as mechanical equipment, transportation equipment and others (e.g. textile) are included in manufacturing sector, the export share against the total value of exports amounts to 55.14%. Concerning imports too, manufactured products account for the highest share in terms of value. - Recently, the number of FDI is increasing; in particular in manufacturing sector (The number of newly registered FDI for 2012-15 is expected to be 518, with automobile and related services accounting for 204). - The strengthening of manufacturing sector in Macedonia should be in line with the policies of the National Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia 2010-2020 - Employment promotion, Entrepreneurship promotion; Increase of SMEs, Decrease of informal labour force, the Industrial Policy of Republic of Macedonia 2009-2020 - Sustained manufacturing, Innovation Strategy of the Republic of Macedonia for 2012-2020- Capacity building of human resources for innovation and the Revised National Development Strategy for Small and Medium-Sized Enterprises 2007 (2002~2013) - Increase of SMEs, Employment promotion and Contribution to GDP by SMEs. <p>(Objectives of technical assistance)</p> <ul style="list-style-type: none"> - The objective is to strengthen SME support system through 1) developing capacity of local consultants, and 2) nurturing small and medium-sized enterprises, targeting the manufacturing sector 	<ul style="list-style-type: none"> - More than 200 people have received training at HIDA in Japan. They possess basic know-how in Japanese production and quality control techniques such as 5S and KAIZEN, etc. Therefore, JICA technical assistance and smooth work implementation are possible. Such technical assistance activities also entail cooperation with Japanese resources (HIDA) and JICA. - It is possible that the strengthening of these enterprises which already understand Japanese manufacturing philosophy, will lead to strengthening of business with Japanese affiliated enterprises in Europe if manufacturing capability of these enterprises are strengthened more. (If enterprises increase productivity, JICA may consider embarking on further technical assistance such as promotion of dialogue with, and provision of business matching opportunities for, Japanese-affiliated enterprises in Europe.)
	- Target, contents and period of assistance	<p>(Targets of Assistance)</p> <ul style="list-style-type: none"> - Local consultants - Mainly enterprises that employ alumni members (approximately 200) that have received training by HIDA (the Overseas Human Resources and Industry Development Association) in Japan <p>(In addition to that, it is important that enterprises which belong to non-HIDA (Macedonia) associations such as ECM may be considered as a target group, in discussion with a C/P institution.)</p> <p>- Currently, AOTS in Japan exists as the institution “HIDA”. In March, 2012, the HIDA was established through consolidation of AOTS (Association for Overseas Technical Scholarship) and JODC (Japan Overseas Development Corporation). Strictly speaking, the name of the alumni association in Macedonia is not HIDA (Macedonia) but still AOTS (Macedonia).</p> <p>(Contents of technical assistance)</p> <ol style="list-style-type: none"> 1) Development of system to promote capability of manufacturing sector (focusing on production and quality issues) 2) Capacity development of local consultants in manufacturing sector; training for local consultants selected from those registered on the APERM database, BAS projects or Management Consulting Association and so on) 3) Strengthening of the manufacturing capability of the target enterprises via technical assistance (as a pilot project) <p>(It is necessary to carefully examine contents of individual guidance to enterprises by Japanese experts and local consultants; production control, quality control, 5S, KAIZEN, individual technology: press, resin moulding, etc.).</p>	
	- Beneficial effect	<ol style="list-style-type: none"> 1) Development of system to promote capability of manufacturing sector (focusing on production and quality issues) 2) Capacity development of local consultants in manufacturing sector 3) Strengthening of the manufacturing capability of the target enterprises 	

Field and Type of Assistance	Objectives and Contents of Assistance		Comments by the JICA Expert
	- Projected C/P agency	<p>- APERM</p> <p>- If the APERM acts as the C/P agency, it will be important for JICA trainees who have experience of training in Japan to be assigned in the APERM and for these human resources to be involved.</p>	particular, this benefits the development of local consultants.
	- Overlapping with activities of other donors	<p>(Consideration to EU project)</p> <p>- As described in ‘Donor support -EU’, supports ①Industrial issues: Review/evaluation/recommendations on current implementation of industrial policy and capacity development of human resources and ②Implementation of direct technical assistance to SMEs (50 SMEs) through local consultants other than international are under preparation. (Provision of technical assistance not only targets the manufacturing sector)</p> <p>If JICA embarks on technical assistance, it must carefully nominate a C/P agency, SMEs and local consultants to be developed so as not to duplicate any assistance of EU.</p> <p>For example, the scope of work of JICA technical assistance can be defined as follows:</p> <p>(Scope of JICA technical assistance)</p> <p>1) C/P: APERM.</p> <p>2) Provision of OJT to local consultants which are nominated by EU (BAS project), APERM or Management Consulting Association etc.</p> <p>3) Pilot project: SMEs to be supported - enterprises of HIDA (Macedonia) alumni or enterprises which EU recommends focusing on manufacturing sector</p> <p>(In addition to that, it is important that enterprises which belong to non-HIDA (Macedonia) associations such as ECM may be considered as a target group, in discussion with a C/P institution.)</p> <p>-If the OJT for local consultants in the BAS project is included in the technical assistance of JICA, this means that activities will be linked and coordinated with the EBRD and EU, which provide funding for the BAS project.</p> <p>(EBRD)</p> <p>- EBRD desires capacity development of local consultants, focusing on manufacturing sector through JICA’s project; in addition, EBRD has commented that capacity development of them through dispatch of JICA experts in manufacturing sector to BAS program can be considered.</p>	
2) Technical assistance for technology and innovation (technical cooperation project)	- Background and objectives of assistance	<p>(Background to the assistance)</p> <p>- In August 2012, the Office of the Vice Prime Minister in Charge of Economy sent a request to the Government of Japan for technical cooperation for the Technology and Innovation Agency of the Republic of Macedonia (TIARM). The request sought “improvement of organizational capacity concerning the local business environment and innovation,” specifically the following activities.</p> <p>(Contents of the request)</p> <ul style="list-style-type: none"> - Support for compilation of an innovation strategy (F/S implementation, training for related personnel, support for compilation of policy concerning technology transfer to domestic enterprises) - Assistance for small and medium enterprises (support for compilation of export policy, promotion of exports to Japan, study of cases in countries with private sector in a similar stage of development as that in Macedonia) <p>However, the following points have been clarified as a result of the study.</p> <p>(Confirmation items)</p> <div> <p>1) The Technology and Innovation Agency of the Republic of Macedonia (TIARM) does not exist as an “agency.”</p> <p>2) Instead, preparations are being advanced for it to exist as a “fund” and it is scheduled to be established in September 2013.</p> <p>The responsible government office will be the Ministry of Education and Science (MoES) and it will advance innovation while</p> </div>	<p>- TIARM does not exist. It is not an agency but a fund (it is scheduled to be established in September 2013).</p> <p>- If JICA conducts technical assistance, it will be possible to develop human resources that can assist in the type of general innovation, or human resources that can assist specific innovation in individual sectors, however, if technical assistance is implemented, an important point will concern how to configure the C/P agency.</p> <p>For example, if a university is adopted as the C/P agency, it is possible that activities will be suspended if the fund disappears, so there is no guarantee of autonomous development following the end of the technical cooperation project. If assistance is implemented, it is necessary to</p>

Field and Type of Assistance	Objectives and Contents of Assistance		Comments by the JICA Expert
		<p>receiving funding from donors. For example, it plans on deploying concrete activities concerning innovation based on funding from the WB and EU (IPAI)</p> <p>3) The government intends' to conduct the following activities via the fund (project base):</p> <ul style="list-style-type: none"> - Capacity development for innovation of enterprises - Assistance so that enterprises can accept new technologies - Development of infrastructure to enable business incubation, etc. <p>- In the 'Innovation Strategy 2012- 2020', capacity development for human resources in universities, vocational institutions or students, is more focused. If technical assistance by JICA is considered, an innovation project, connecting tertiary institutions such as universities and enterprises must be considered.</p> <p>(Objective of assistance)</p> <ul style="list-style-type: none"> - Promote innovation of enterprises and strengthen support functions for SMEs 	<p>implement it upon fully guaranteeing the autonomous development following the project.</p> <p>- Agency for Foreign Investments and Export Promotion of the Former Yugoslavian Republic of Macedonia is responsible for promoting advances (investment) by overseas enterprises, while APERM supports the development of small and medium enterprises. It is extremely important to coordinate and distinguish roles with such agencies.</p> <p>- It is important to understand the relationship between innovation and strengthening of manufacturing capacity. There are enterprises where strengthening of manufacturing capacity is achieved through conducting innovation.</p> <p>Therefore, when conducting technical assistance for innovation, it is necessary to clarify the difference between strengthening of manufacturing capacity and innovation before implementation.</p> <p>(Example)</p> <p>- Improvement and dissemination of production and quality management constitutes the strengthening of manufacturing capacity, however, the following activities are innovation.</p> <p>For example,</p> <p>①Disseminating techniques for introducing new general technologies (survey of new technologies: literature survey, research institutes possessing new technology, approach to contacts with enterprises, etc.), and actual introduction of technologies</p> <p>②Disseminating techniques for introducing new sector-specific technologies, and actual introduction of technologies</p> <p>- However, it will be necessary to closely monitor how funds provided by the World Bank and EU are utilized and to ensure that there is no overlapping of assistance.</p>
	- Target, contents and period of assistance	<p>(Targets of assistance)</p> <p>Universities etc. that can nurture human resources capable of promoting innovation in enterprises</p> <p>(Contents of technical assistance)</p> <p>1) First: develop human resources who can assist general innovation.</p> <p>2) Second: develop human resources who can assist concrete innovation in specific sectors (auto components, food processing, logistics, and textiles).</p> <p>(More specifically, it is necessary to develop human resources who are affiliated to universities and implement support for entrepreneurship and business deployment, and it is important to utilize such resources in implementing coaching for entrepreneurs and companies).</p> <p>- The following technical assistance can be proposed:</p> <p>① Development of system to promote innovation</p> <p>② i) Capacity development of human resources who can conduct guidance on the basic process of and approach to advancing innovation</p> <p>ii) Capacity development of human resources who can conduct guidance on innovation in specific sectors (auto-related, food processing, logistics, textiles, etc.)</p> <p>③Dissemination of the importance of innovation</p> <p>- Concerning ①, the main activity will be support for establishment of system that is equipped with coordination, information collection and dissemination of innovation.</p> <p>- In both ② i) and ii), capacity development of human resources who can implement assistance is the objective, however, concerning ii), since this entails nurturing human resources who can conduct assistance in specific selected sectors rather than all sectors, the activity should be treated as a pilot project.</p> <p>- In ③, it is important to recognize the importance of innovation through sharing success stories of the technical assistance for enterprises that was conducted in ②.</p>	
	- Beneficial effect	<p>1) Development of innovation system (coordination, information collection and innovation training functions and so on)</p> <p>2) Capacity development of human resources who are capable of implementing innovation assistance</p> <p>3) Diffusion of importance of innovation via sharing of innovation success stories</p>	

Field and Type of Assistance	Objectives and Contents of Assistance		Comments by the JICA Expert
	- Projected C/P agency	- Universities (Ss Cyril and Methodius University) - Ss Cyril and Methodius University has experience with many donor projects.	
	- Overlapping with activities of other donors	- The Government of the Netherlands is promoting mergers between Dutch and Macedonian enterprises in an effort to transfer new technologies to Macedonia. EU is also similar activities. These activities also entail the promotion of innovation for Macedonian enterprises via technology transfer. (Remarks) It is essential to avoid any duplication of work with other donors such as EU through investigating how funds are utilized.	
3) Trade and investment promotion (dispatch of an expert)	- Background and objectives of assistance	(Background of the assistance) - The Government of Macedonia regards the promotion of trade and investment as an important tool for developing the private sector and implements activities accordingly. - Upon comparing the trade business environment order, according to the World Bank survey “Doing business in 2013 & 2012,” Macedonia dropped significantly from 67 th (2012) to 76 th (2013). - Meanwhile, although investment fell sharply in 2009 and 2010 due to the effects of the global financial crisis in 2009, the overall number of newly registered FDI cases scheduled for implementation between 2012~2015 is 518 with the main areas of investment being automobile-related (204), cement (140), glass (65), residences for habitation (60), services (25), food processing (15) and others (9), so the basic trend is one of recovery. - No Japanese enterprises have currently been invested in Macedonia (Objectives of Assistance) - Investment and trade promotion through improving the functions of the Agency for Foreign Investments and Export Promotion of the Former Yugoslavian Republic of Macedonia	<p>- So far JICA and GIZ have dispatched investment advisors. At such times, the HP has been reviewed, information on Macedonian enterprises has been updated, and participation in international exhibitions has been encouraged. However, Japanese enterprises have so far made no advances into the country.</p> <p>- It is currently difficult for Japanese enterprises to become established in Macedonia. Rather, it is more realistic to examine advances by Japanese-affiliated enterprises based in Europe. These technical assistance would be beneficial.</p> <p>- Under the current economic conditions of European countries, it is very important to consider the timing of dispatch of JICA expert, analysing the condition of Japanese-affiliated enterprises in Europe.</p>
	- Target, contents and period of assistance	(Targets of Assistance) - Agency for Foreign Investments and Export Promotion of the Republic of Macedonia (Contents of technical assistance) ① Preparation of an investment and trade list of Japanese-affiliated enterprise in Europe (limited to the Balkans and Europe) ② Business matching with overseas enterprises - In particular, provision of dialogue and business matching opportunities with Japanese-affiliated enterprises in Europe	
	- Beneficial effect	① Building of data base on enterprises with investment and trade potential, targeting Japanese-affiliated enterprise in Europe ② Actual investment or trade promotion	
	- Projected C/P agency	- Agency for Foreign Investments and Export Promotion of the Republic of Macedonia - Agency for Foreign Investments and Export Promotion of the Republic of Macedonia is a key agency to promote both investment and export promotion. - Agency for Foreign Investments and Export Promotion of the Former Yugoslavian Republic of Macedonia has so far accepted trade and investment advisors from JICA and GIZ. In that sense, there is no problem in it becoming the C/P agency.	
	- Overlapping with activities of other donors	- There is no overlapping with the activities of other donors.	

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1 Introduction

1.1 Project Background and Objectives of the Study

Private sector development is a key element to positive economic development in the Former Yugoslav Republic of Macedonia (hereinafter ‘Macedonia’). With regard to that, a variety of support activities by public as well as private institutions have been implemented in Macedonia under the ‘National Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia 2010-2020,’ which recognizes strengthening of entrepreneurship and actions to informal economy as prioritized issues.

Under various technical and financial supports for private sector development by these institutions, Japan International Cooperation Agency (hereinafter ‘JICA’) has regarded ‘private sector development’ as a crucial element for inclusive economic development. JICA would consider embarking on more contribution to that through further technical assistance besides previous or on-going efforts.

For that purpose, it is essential to conduct in-depth information collection and analysis on various issues and JICA experts are dispatched in order to implement the following responsibilities:

- (1) To clarify current conditions of government policies as well as surrounding Macedonian business environment, including actions conducted by various public and private institutions
- (2) To consider a basic direction of JICA’s future possible technical assistance in the field of private sector development

1.2 Members of the Dispatched Team

- JICA (Head of the Team) Mr. Takafumi Ueda, JICA Senior Advisor (Private Sector Development)
(24th - 29th May)
- JICA consultant (Industrial development) Mr. Kunihiro Konishi, JICA expert (8th – 29th May)

1.3 Framework of the Study

The comprehensive framework (responsibilities and schedule) of the Study is as follows (see

Table 1-1 Framework (responsibilities and schedule) of the Study

Period	Contents of responsibilities	May			June
		Early	Middle	Late	Early
Macedonia 25 days	1-1 - Explanation to C/P institution on a work plan of the study - Report to C/P institution on results of the study		▲	▲	
	1-2 - Study and analyses on current conditions of private sector development in Macedonia 1) Current conditions and constraints of sectors 2) Constraints of sectors towards EU accession 3) Positioning/priority of sectors under the national development plan 4) Current condition and constraints on policies, strategies and implementation of sectors' development 5) Current and future support (priority areas) on sector development by donors (e.g. EU) (current status of donor collaboration) 6) Laws or Legislation		■		
	7) Current conditions of ministries or agencies (organizational structure, budgets and activities etc) 8) Current conditions of subsectors' development on SME promotion or industrial development and clarification of constraints to develop these ones 9) Evaluation of potential institutions for JICA support 10) Clarification of constraints to implement support		■		
	1-3 - Investigation on direction and a feasibility of JICA technical cooperation - Drafting contents of technical support		■		
	1-4 - Report and discussion to JICA (Serbia)			▲	

The details of the Study schedule (draft) are as shown in **Appendix 1 (Daily Study Schedule in 7th – 31st May, 2013)**.

2 Current Macro Economic Conditions

Current macroeconomic conditions in Macedonia are as described below.

(1) GDP

Concerning the Macedonian economy, the value of GDP in 2011 was €7,300 million and the real GDP growth rate has recently been 3% (2011), 1.8% (2010), -0.9% (2009), 5.0% (2008) and 6.1% (2007). The decrease of real GDP growth rate arose from worldwide financial crisis.

(2) Sector-wise performance

With regard to sector-wise GDP share, the share of agriculture sector against the total GDP increased from 8.5% (1990) to 11.3% (2010) over the last two decades and that of service increased from 47.0% (1990) to 60.9 % (2010) while that of the industrial sector decreased from 44.5% (1990) to 27.8 % (2010) (Table 2-1). In particular, the share of manufacturing sector against the total GDP substantially decreased from 35.7% (1990) to 15.6% (2010) over the last two decades.

Table 2-1 Sector wise GDP share (measurement unit: %)

Sector	1990	2009	2010
Agriculture	8.5	11.2	11.3
Industry	44.5	27.5	27.8
(Manufacturing)	(35.7)	(16.2)	(15.6)
Service	47.0	61.4	60.9
Total (%)	100%	100%	100%
GDP (USD)	(USD 4.5billion)	(USD 9.3billion)	(USD9.2billion)

World Bank: at a glance Macedonia

The GDP growth rate of sub-sectors in Macedonia varies as shown in the following Table 2-2. Except in 2010 and 2011, from 1997 to 2011, wholesale & retail sector and hotel & restaurant sector maintained relatively high growth rate against the real GDP.

Table 2-2 GDP growth rate of sub-sectors in Macedonia

In millions of denars (at constant prices - reference year 2005) and real annual growth rates (in %)

年	GDP total	%	Agriculture, hunting, forestry & fishery	%	Mining, manufacturing, electricity, gas and water supply	%	Construction	%	whole & retail	%	Hotel & restaurant	%	Transportation, storage & Telecommunication	%	Financing, real estate and other service	%	Administration & Self-defense	%
1997 ¹	235750	1.4	30099		45646		12570		26280		2844		15378		38109		35331	
1998	243765	3.4	31090	3.3	46303	1.4	13537	7.7	26379	0.4	3052	7.3	19453	26.5	38109	0.0	35759	1.2
1999	254247	4.3	31370	0.9	47089	1.7	14946	10.4	27179	3.0	3804	24.7	22792	17.2	38838	1.9	37226	4.1
2000	265688	4.5	31689	1.0	51493	9.4	15335	2.6	28005	3.0	3375	-11.3	24723	8.5	39887	2.7	37261	0.1
2001	253732	-4.5	28268	-10.8	49140	-4.6	13122	-14.4	27771	-0.8	3223	-4.5	22666	-8.3	40720	2.1	36387	-2.3
2002	256016	0.9	27693	-2.0	48741	-0.8	13203	0.6	29276	5.4	3759	16.6	22268	-1.8	39218	-3.7	37649	3.5
2003	270314	5.6	29030	4.8	51214	5.1	14957	13.3	29796	1.8	4121	9.6	22366	0.4	37794	-3.6	39501	4.9
2004	282748	4.6	30888	6.4	52648	2.8	15810	5.7	33282	11.7	4051	-1.7	21292	-4.8	43010	13.8	39264	-0.6
2005	295052	4.4	30991	0.3	55052	4.6	15761	-0.3	38649	16.1	4245	4.8	23459	10.2	42625	-0.9	40670	3.6
2006	309895	5.0	32465	4.8	56465	2.6	16513	4.8	40528	4.9	4309	1.5	25759	9.8	46139	8.2	41301	1.6
2007	328951	6.1	31508	-2.9	63607	12.6	17063	3.3	43186	6.6	4677	8.5	28460	10.5	48015	4.1	42274	2.4
2008	345239	5.0	33293	5.7	65133	2.4	16125	-5.5	46014	6.5	4954	5.9	31920	12.2	51177	6.6	44175	4.5
2009	342062	-0.9	34175	2.6	58159	-10.7	16835	4.4	48974	6.4	4528	-8.6	31563	-1.1	53556	4.6	45215	2.4
2010	351963	2.9	36348	6.4	60133	3.4	17244	2.4	49422	0.9	4406	-2.7	31680	0.4	55620	3.9	46986	3.9
2011 ²	362034	2.9	37002	1.8	62560	4.0	19890	15.3	52580	6.4	4897	11.2	32145	1.5	55392	-0.4	48430	3.1

¹ Real value of GDP and value added by sectors from 1997q1 to 2003q4 are NBRM staff calculations based on national accounts data from SSO.² Estimated data.³ Preliminary data.

Source: State Statistical Office and NBRM staff calculations.


(3) Main sector

The profile of main sectors (agriculture and agro-processing, auto components and ICT) in light of investment and export promotion is as follows.

(Profile of main sector)

Sector	Profile
Agriculture and agro-processing	<ul style="list-style-type: none"> - GDP share increased from 8.5% (1990) to 11.3 % (2010) - The export value in 2010 was €55 million (18.4% increase against 2009) - Over the last five years, €30 million has been invested. - In particular, agro-processing (fruits processing, vegetable processing or frozen processing) is also vital and employs 1,165 formal workers and 3,312 seasonal workers. <p>One of the major products is wine (90 million liters is produced and 80% of that is exported).</p>

	<p>(Agency for Foreign Investments and Export Promotion of the Republic of Macedonia: Agriculture and Agro-processing Industry in the Republic of Macedonia)</p>
Auto components	<p>- Main products; seatbelts, airbags, electrical parts and precision machinery, etc.</p> <p>- Main supply areas of production</p> <p>(Main supply area)</p> <p>- Export items</p> <p>Export of Automotive Components by Type</p> <p>Source: ITC UNCTAD/WTO, data for 2010</p> <p>- Export countries</p> <p>Export of Automotive Components by Country</p> <p>Source: ITC UNCTAD/WTO, data for 2009</p>

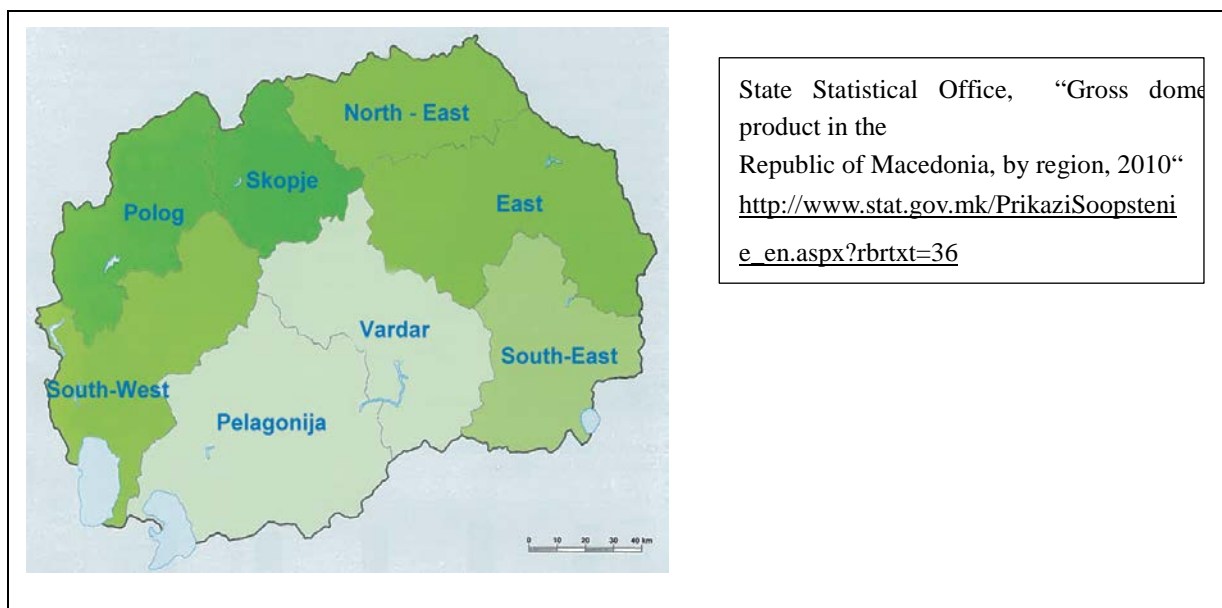
	(Agency for Foreign Investments and Export Promotion of the Republic of Macedonia: Automotive Components Sector in the Republic of Macedonia)
ICT	<p>- Market size: €164.5 million (2009) with the annual growth rate of 7.7% In 2014, the market size is expected to be €212 million.</p> <p>- Products structure: PC: 31.9%, IT service: 25.6%, Network equipment: 16.4%, Software: 13%, Other equipment: 9.2%, System servers: 2%, Storage: 1.9%</p> <p>- IT educational institutions: locations</p>  <p>(Agency for Foreign Investments and Export Promotion of the Republic of Macedonia: Information and Communication Technology Sector)</p>

(4) Regional condition

As is shown in the following Table 2-3, the difference between Skopje and other areas is very substantial in terms of GDP value.

Table 2-3 Regional condition in terms of GDP value

Area	GDP (million denar)	GDP per capita (denar)	Regional GDP (Share %)	GDP per capita Index=100	Gross fixed Capital (million denar)	Gross fixed Capital (Share %)
Vardar	31 797	206 667	7.3	97.8	5 066	6.1
East	37 171	206 770	8.6	97.9	7 953	9.6
Southwest	34 514	155 572	8.0	73.6	3 889	4.7
Southeast	37 979	219 714	8.7	104.0	5 773	7.0
Pelagonija	52 783	225 437	12.2	106.7	6 295	7.6
Polog	31 118	98 848	7.2	46.8	6 518	7.9
Northeast	19 021	108 664	4.4	51.4	2 150	2.6
Skopje	189 728	314 809	43.7	149.0	45 323	54.6
Total	434 112	211 246	100.0	100.0	82 966	100.0



(5) Employment (sector wise)

100,878 employees are employed in the manufacturing sector, while 83,697 are employed in the wholesale & retail sector. These two sectors account for 40.22% of the total number of employees (458,873).

In terms of net monthly income per person, that of the financial sector is the highest (38,509 denar), while that of manufacturing sector is not generally high (see Table 2-4)

Table 2-4 Sector-wise employees and average net monthly income

SECTOR	No. of Employees	Employee share against total employees (%)	Average net income (monthly denar)
AGRICULTURE, FORESTRY AND FISHING	12,394	2.70	14,781
MINING AND QUARRYING	3,989	0.87	22,690
MANUFACTURING	100,878	21.98	15,176
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	7,711	1.68	35,138
WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	8,555	1.86	18,713
CONSTRUCTION	26,106	5.69	15,986
WHOLESALE AND RETAIL TRADE REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	83,679	18.24	18,630
TRANSPORTATION AND STORAGE	26,453	5.76	21,349
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	16,267	3.54	15,013
INFORMATION AND COMMUNICATION	9,823	2.14	35,290

SECTOR	No. of Employees	Employee share against total employees (%)	Average net income (monthly denar)
FINANCIAL AND INSURANCE ACTIVITIES	8,513	1.86	38,509
REAL ESTATE	1,714	0.37	24,377
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	13,783	3.00	25,409
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	13,319	2.90	15,038
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	43,258	9.43	24,826
EDUCATION	36,099	7.87	21,292
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	32,505	7.08	21,836
ARTS, ENTERTAINMENT AND RECREATION	7,375	1.61	19,268
OTHERS	3,753	0.82	22,815
TOTAL	458,873	100.00	

State Statistical Office Statistical Yearbook of Macedonia

(6) Trade structure

With regard to trade structure, over the last ten years from 2003 to 2012, the total value of imports has exceeded that of exports as shown in Table 2-5. Macedonia has a trade pattern whereby materials to produce manufactured goods and various items that are not produced in Macedonia are mostly imported, while manufactured goods that are made of imported materials are mainly exported.

Table 2-5 Balance of Payments

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
I. Current accounts	-185.5	-451.6	-159.3	-28.5	-605.7	-1235.8	-609.6	-197.8	-310.6	-385.2
goods, net	-851.0	-1139.0	-1063.0	-1260.5	-1638.5	-2589.9	-2168.8	-1918.9	-2330.5	-2298.1
export (f.o.b)	1362.7	1674.9	2040.6	2410.7	3391.5	3983.3	2702.3	3345.0	4428.9	3974.7
import (f.o.b. /2)	-2213.7	-2813.8	-3103.6	-3671.2	-5030.0	-6573.2	-4871.0	-5264.0	-6759.4	-6272.8
service, net	-10.4	-57.1	-39.3	22.3	38.7	15.9	24.1	47.4	137.3	26.1
income, net	-60.0	-35.3	-109.2	-27.5	-389.3	-119.8	-66.9	-131.4	-173.4	-192.6
current transfers, net	735.9	779.7	1052.2	1237.1	1383.4	1458.0	1602.0	1805.1	2056.0	2079.4
II. Capital and financial accounts	218.3	434.1	165.5	24.6	657.6	1266.7	569.2	198.2	316.3	334.1
Capital, net	-6.7	-4.6	-2.0	-1.1	4.9	-17.6	28.6	16.5	29.3	20.0
Investment, net	225.0	438.7	167.5	25.7	652.7	1284.2	540.5	181.7	287.0	314.1
III. Errors and Omission	-32.8	17.6	-6.2	4.0	-51.8	-30.9	40.4	-0.4	-5.7	51.1

Current Account(*): without Reinvested earnings and undistributed branch profits

Source: National Bank of the Republic of Macedonia, "Balance of Payment 1998-2012"

1) Exports (destinations and item)

The value of export items was USD 3,974.7 million in 2012 in comparison with USD 4,428.9 million in 2011

(Export destinations)

Major export destinations for Macedonia in 2012 were European or neighbouring countries such as Germany (29.4%), Serbia (7.38%), Bulgaria (7.13), Italy (6.95%) and Greece (4.70%). The total share of these five countries against the total value of exports amounted to 55.56%.

(Export items)

Major export items from Macedonia to foreign countries in 2012 were iron and steel and metal processing products. The export share of manufacturing products against the total export value was 25.93% (USD 1,037.56 million), which was the highest share among all export items. If export items such as mechanical equipment or transportation equipment and others (e.g. textile) are included, the export share against the total value of exports amounted to 55.14%.

It is true that the GDP share of manufacturing sector is decreasing, but the fact that manufacturing items still make a major contribution to export in value must be kept in mind. In other words, strengthening the competitiveness of exports is very crucial to export promotion.

2) Imports (destinations and item)

The value of import items is USD 6,272.8 million in 2012 in comparison with USD 6,759.4 million in 2011.

(Import destinations)

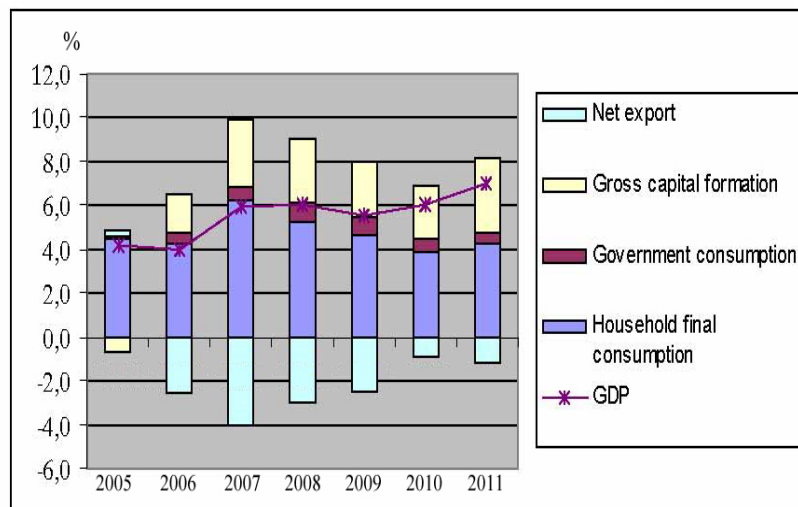
Major import countries for Macedonia in 2012 were European or neighbouring countries such as Greece (12.34%), Germany (9.73%), UK (8.61%), Serbia (7.40%) and Bulgaria (6.26%). The total share of these five countries against the total value of imports amounted to 44.34%.

(Import items)

Major import items from foreign countries to Macedonia in 2012 were manufacturing products. The share of manufacturing products among total imports in terms of value was 28.08% (USD 1,823.3 million), which was the highest share among all import items. Basically, products which are not produced in Macedonia are imported.

For your reference, the minus condition of net exports in value (imports exceed exports in value) influences the GDP composition (Table 2-6).

Table 2-6 GDP contribution (%) for each in terms of expenditure (2005-11)



Ministry of Finance of the Republic of Macedonia, 'Pre-accession Economic programme 2011-2013'

3) Trade with EU

Major Macedonian trading partners are EU countries in terms of both exports and imports. For example, in 2011, the share of exports to EU countries from Macedonia against the total export value was 73.0% and the share of imports from EU countries to Macedonia was 59.8%, as shown in Table 2-7.

Table 2-7 Trade with EU by Macedonia

Year	Import (a)	Annual change rate (%)	Macedonia Import share from EU countries (%)	Export	Annual change rate (%)	Macedonia export share to EU countries (%)	Balance	Export+Import (a)+(b)
2007	1,909	20.7	50.0	1,617	38.6	65.5	-292	3,526
2008	2,234	17.0	48.2	1,599	-1.1	60.5	-634	3,833
2009	1,897	-15.1	52.5	1,094	-31.6	56.7	-803	2,991
2010	2,186	15.2	53.4	1,531	39.9	61.4	-655	3,716
2011	3,177	45.4	73.0	1,823	191	59.8	-1355	5,000

EU Statistics, EU and Macedonia Trade (2007-2011)

(7) Foreign direct investment

The global financial crisis in 2008-09 adversely influenced FDI in Macedonia; however, it recovered gradually (€145 million in 2009, €160 million in 2010, and €336.8 million in 2011).

In particular, the number of newly registered FDI for 2012-15 is expected to be 518, with automobile and related services accounting for 204, cement for 140, glass for 65, accommodation services for 60, agro-processing for 15, and others for 9. Automobile and

related services account for 39.3% of registered FDI (518). For example, in terms of FDI inflows to Macedonia in 2012, Austria accounted for €64.86 million, UK for €16.65 million, Turkey for €15.14 million, Belgium for €14.25 million, Germany for €9.73 million, and Croatia for €6.44 million.

Investment areas were manufacturing (metal/mechanical parts: €28.39 million and textile/wood-processing: €19.54 million), and electricity/gas/steam/air conditioners (€60.62 million), while the share of investment for financial and insurance decreased to 15.67 %.

(8) Industrial sector

Looking at production in 2011, except for mining of coal and lignite, mining of metal ores, manufacture of food products, manufacture of tobacco products, printing and reproduction of recorded media, manufacture of basic pharmaceutical product and pharmaceutical preparations, manufacture of basic metals, manufacture of fabricated metal products, except machinery and equipment, manufacture of electrical equipment, manufacture of machinery and equipment, manufacture of other transport equipment, manufacture of furniture, all other items displayed lower production than in 2005.

(9) Business environment

1) Business environment

Based on the study by World Bank, business environment of Macedonia is ranked as 23rd among 185 countries or areas in 2013 (Table 2-8). In particular, 'Trading across borders' dropped from 67 to 76 while 'Access to electricity' rose from 121 to 101.

Table 2-8 Business environment index (world ranking)

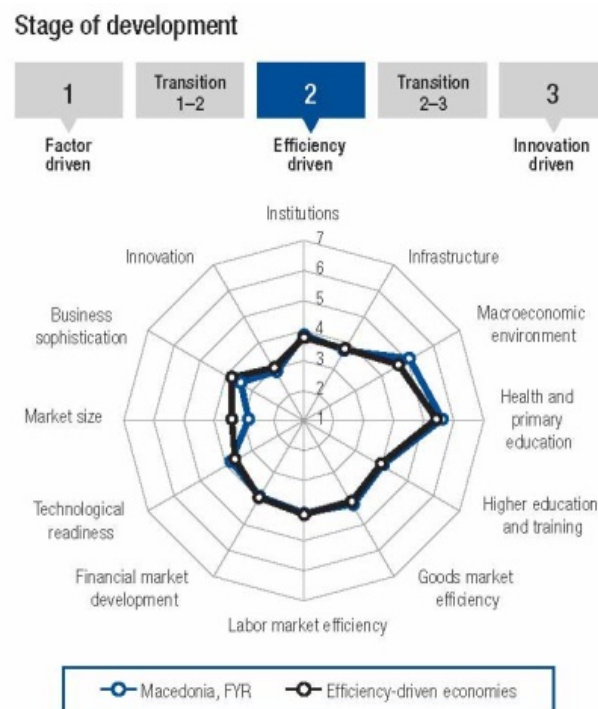
Evaluation items	Rank in 2013	Rank in 2012
Starting a business	5	6
Dealing with construction permits	65	61
Access to electricity	101	121
Registering property	50	49
Access to credit	23	24
Protecting Investors	19	17
Paying taxes	24	26
Trading across borders	76	67
Enforcing contracts	59	60
Resolving insolvency	60	55
Total ranking	23	22

World Bank Doing business in 2012, in a more transparent world

In other data, based on World Economic Forum 2012-13, 'The Global Competitiveness Report 2012–2013', Macedonia is ranked as 80th among 144 countries. Macedonia infrastructure, institutions, innovation, business specifications, market size, technology readiness, financial market development, labour market efficiency, goods market efficiency, higher education and training are lowly evaluated (Figure 2-1). In particular, innovation is ranked as 110 and business sophistication is ranked as 111 among 144 countries.

These conditions indicate that enterprises themselves still do not have sufficient competitiveness as shown in the fact that innovation is ranked as 110 and business specification is ranked as 111, while business environment is organized to a certain level. Technological accumulation is not sufficient in enterprises and they urgently require technical assistance.

Figure 2-1 Radar chart (Business environment and enterprise conditions)



World Economic Forum Insight Report, the Global Competitiveness Report 2012–2013

(10) Business with Japanese enterprises

There is no Japanese enterprise in Macedonia which is geographically located far from Japan. There would be more business opportunities between Japanese affiliated-enterprises in European countries and Macedonia. For more business opportunities, direct contacts between them must be more promoted.

3 Framework of Private Sector Development (2013)

3.1 Policies for Private Sector Development

(1) National Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia

2010-2020

As the long-term national development plan, 'National Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia 2010-2020' is composed of eight parts. The mission of the strategy is to make Macedonia into a society with reduced poverty and social exclusion of its citizens. In particular, in part 4, fourteen areas are defined for tackling.

(Structure of National Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia 2010-2020)

Part 1	Introduction
Part 2	Commitment to the Strategy
Part 3	Analysis of Current Situation
Part 4	Proposals and Measures, Activities and Policies (14 areas: Employment, Informal economy and strengthening entrepreneurship, Labour market, Poverty and social discrimination, Health protection, Long-term care, Education, Social protection, Transport, Communications, Housing, Child protection, Equal opportunities for men and women, Public sensibility to social inclusion)
Part 5	Strategy Implementation - Indicators for monitoring the implementation of the Strategy
Part 6	Assumptions and possible risks with threats for successful implementation of the Strategy and planned measures
Part 7	Proposed follow-up
Part 8	Conclusion

In Part 4, various activities are described in line with private sector development (Table 3-1).

Table 3-1 Main activities are described in line with private sector development

Area	Main Activities
- Employment	<ol style="list-style-type: none"> 1) Reduce long-term unemployment 2) Increase access to employment 3) Increase gender equality in employment 4) Create equal employment opportunities for individuals with special needs 5) Create equal employment opportunities for the elderly (age 55-64) 6) Implement the basic principle of fair and adequate representation in employment
- Informal economy	<ol style="list-style-type: none"> 1) Increase the number of small and medium size companies which will increase

and strengthening entrepreneurship	<p>the possibilities for employment in them</p> <p>2) Strengthen the promotion of non-financial and financial forms of support for entrepreneurship, raise awareness on the importance of entrepreneurship, and improve skills of entrepreneurs in order to strengthen competition of the existing enterprises.</p> <p>3) Facilitate access to cheaper financial resources by extending the scope of mortgage instruments and provide conditions for creating immovable property for this purpose enabling an economic activity which encourages new employment and social inclusion.</p> <p>4) Provide assistance for entrepreneurs to participate in projects, timely information on published tenders within the IPA and FP7 programs and other EU programs and funds to which the Macedonian companies and institutions have access.</p> <p>5) Support business centres, business incubators and technical-technology parks, strengthen the capacities of the existing regional centres, and develop various programs which will provide new business relations with the world. It is of particular importance for the development of the market and capacities to establish new and support existing business incubators which provide numerous services for small and medium size companies.</p> <p>6) Support of the work in the centres for technology transfer is also a target with raising awareness on the importance to apply new technology, facilitate transfer of new technology and develop centres for research and development.</p>
- Labour market	<p>1) Increase the number of new jobs</p> <p>2) Reduce unregistered labour force</p> <p>3) Improve the status of women in the labour market</p>
- Transport	<p>1) Improve the organizations of transport systems, including improving the quality and quantity of public transport services for socially excluded groups from transport</p> <p>2) Improve access to transport systems</p>
- Communications	<p>1) Improved access to computer mediated communications, expressed as regular access to the Internet from home, work or public location</p> <p>2) Improved quality of using the potentials of the computer mediated communications by specific categories expressed by using its information, communications, distribution and transactional function.</p>

(2) Industrial Policy of Republic of Macedonia: 2009-2020

The current industrial policy formulated by Ministry of Economy is 'Industrial Policy of Republic of Macedonia: 2009-2020'.

(Mission)

- The pro-active industrial policy will encourage the orientation of Macedonian industry towards higher value added products and services based on knowledge, innovation and collaboration.
- The future of Macedonian industry will be built on the development of capabilities in applied research and manufacturing of sustainable, organic and specialized high-tech products and services serving the needs of international niche markets.
- By 2020 Macedonia will develop the dynamic mix of sustainable and authentic industries like: organic wine and foods, eco-steel, eco-friendly construction, ITC, specialized electronic parts, renewable energy production, creative industries, medical equipment and services, authentic tourism and other industries.

(Basic approach - five areas)

- 1) International cooperation and FDI enhancement - FDI promotion, in particular, new partnership promotion
- 2) Applicable research and development and innovation - Promotion of R&D, targeting high added value
- 3) Eco- friendly products and services for sustainable development - Eco- friendly products and services for sustainable development
- 4) SME development and entrepreneurship - Arrangement of financial access
- 5) Collaboration in clusters and networks - Training to make clusters or networks

(3) Revised National Development Strategy for Small and Medium-Sized Enterprises (2002 – 2013)

The targets of Revised National Development Strategy for Small and Medium-Sized Enterprises (2002 – 2013), which was revised in 2007, are as below.

- Increase the number of SMEs
- Increase employment in SMEs
- Increase the contribution of SMEs to GDP

In order to achieve targets, the following activities are listed.

- Enhance Policy Making
- Simplify the Legal and Regulatory Environment
- Improve Access to Finance
- Simplify Taxation
- Foster Information and Communication Technology

- Enhance Science, Technology and Innovation in function of the Development of SMEs
- Promote Entrepreneurship in Education and Training
- Encourage Internationalization
- Improve Business Development Services
- Strengthen the Public Private Dialogue

Under the framework of Revised National Development Strategy for Small and Medium-Sized Enterprises (2002 – 2013), ‘Programme for the Development of Entrepreneurship, Competitiveness and Innovation of the Small and Medium Enterprises (2007 – 2010)’, the so-called ‘SME programme’ is formulated and the following four targets are set.

- 1) Strengthening the institutional infrastructure (e.g. APERM, etc.)
- 2) Improving the business environment
- 3) Improving access to finance and simplifying taxation
- 4) Improving competitiveness and innovation

However, Programme for the Development of Entrepreneurship, Competitiveness and Innovation of the Small and Medium Enterprises (2007 – 2010) has not yet been revised. Only an annual plan is formulated.

(4) Innovation Strategy of the Republic of Macedonia for 2012-2020

Innovation Strategy of the Republic of Macedonia for 2012-2020 is formulated and the following visions and targets are set.

(Visions)

The innovation strategy will drive competitiveness and economic development based on knowledge and innovation, thereby creating high value employment and prosperity for Macedonian citizens. By 2020, the Republic of Macedonia should have an effective national innovation system, co-created by all stakeholders and open to the world. The government will place research and innovation at the heart of its policies and ensure adequate financial support.

(Targets)

- 1) Enhance the business sector’s propensity to innovate
- 2) Strengthen human resources for innovation
- 3) Create a regulatory environment in support of innovation
- 4) Increase knowledge flows and interactions between innovation actors

(Remarks)

EU regards technology and innovation and actions to achieve as essential.

(EU and regional programme)

- Innovation is at the core of the Europe 2020 Strategy (EC, 2010a) agreed upon by EU Member States at the June 2010 European Council. Europe 2020 puts forward the three mutually reinforcing priorities i) smart growth (developing an economy based on knowledge and innovation), ii) sustainable growth (promoting a more resource efficient, greener and more competitive economy) and iii) inclusive growth (fostering a high-employment economy delivering social and territorial cohesion).
- Within the context of the Europe 2020 Strategy, the EU Member States have agreed on an action plan to achieve an Innovation Union (EC, 2010b). This action plan includes over 30 initiatives to (i) strengthen the knowledge base, (ii) get good ideas to market, (iii) maximize social and territorial cohesion, (iv) pool forces throughout the EU, (v) leverage policies externally and (vi) implement reforms of innovation systems.

(Innovation Strategy of the Republic of Macedonia for 2012-2020 - P10)

(5) Other related laws

Taxation system, which influences profits of enterprises, is as below.

Tax structure

Tax	Tax rate
-Value added tax	- Value added tax : 18% - Preferential VAT:5% (Foods, pharmaceutical products, real products, computer soft/hard, public transportation or solar system, etc.)
- Individual income tax	- Flat tax: 10% (residents who lives in Macedonia for more than 183 days). - Taxation for individual income, income based on agriculture, individual business, income from real estate, royalty, capital gains, income from lottery, etc.

KPMG HP

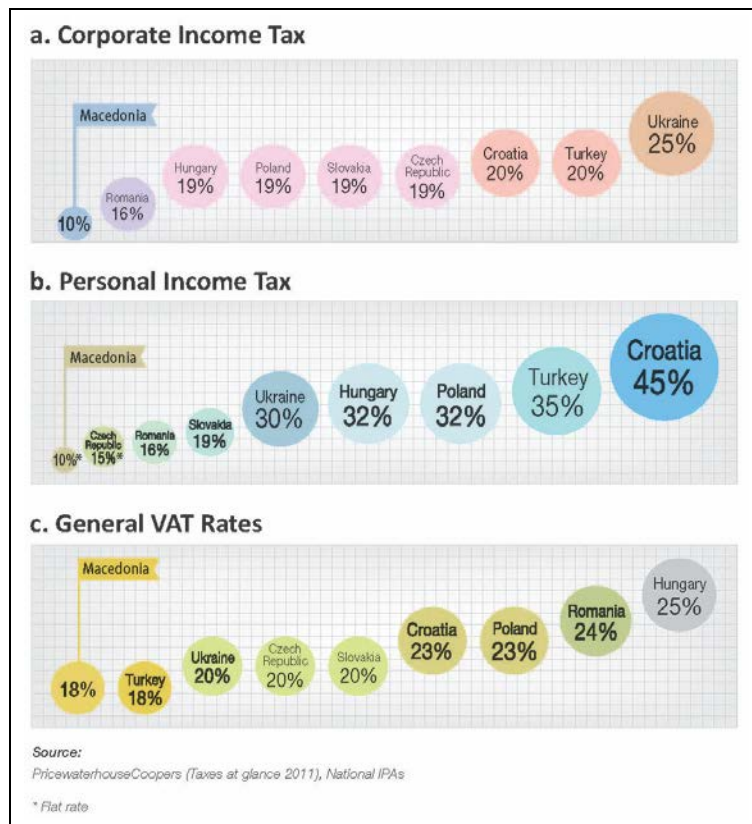
(<http://www.kpmg.com/global/en/issuesandinsights/articlespublications/taxation-international-executives/macedonia/pages/other-taxes-levies.aspx>)

Deloitte International Tax

(http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Tax/Taxation%20and%20Investment%20Guides/2013/dttl_tax_highlight_2013_Macedonia.pdf)

Public Revenue Office (<http://www.ujp.gov.mk/en/vodic>) (Remarks: Comparison in tax among

(Balkan countries)



Currently four Technological Industrial Development Zones are established and enterprises in TIDZ can gain preferential benefits (Table 3-2).

Table 3-2 Preferential benefits

Category	item	Rate in the zone	Rate outside the zone
Customs	Raw materials	0-15%	0%
	Equipment	5-20%	0%
Tax	VAT	18%	0%
	Corporate tax	10%	0% (10 years)
	Individual income tax	10%	0% (10 years)

DTIDZ HP Tax Customs and other Incentives (<http://www.fez.gov.mk/benefits.html>)

(Constraints between policies and implementation)

The process to implement contents of policies properly is not sufficiently established. Surely, insufficient allocation of budgets is crucial; however, more capacity development (management ability to conduct information collection and analysis – project formulation and implementation, monitoring/evaluation) of staff at concerned ministries, agencies or other institutions will be greatly needed in order to implement them.

(No. of SMEs)

There existed 74,424 enterprises in 2012 (Table 3-3). However, the number of enterprises with more than 250 employees was 201 (only 0.27% of 74,424 enterprises). The number of individual enterprises with none or 1-9 employees was 68,211 (91.65% of 74,424 enterprises).

In terms of sector, there were 27,307 enterprises (37.6%) in the wholesale & retail sector, 8,251 (11.7%) in the manufacturing sector, and 6,445 (8.7%) in transportation and storage and so on.

Table 3-3 Number of enterprises based on scale (2012)

Sector	No. of enterprise	%	Size of enterprises in terms of employees						Share against Total (74,424enterprises)					
			0 (R1)	1-9	10-19	20-49	50-249	250+	0 (R1)	1-9	10-19	20-49	50-249	250+
Total	74,424	100.0	7,158	61,053	2,937	1,795	1,280	201	9.62	82.03	3.95	2.41	1.72	0.27
AGRICULTURE, FORESTRY AND FISHING	3,072	4.1	290	2,678	38	31	33	2	0.39	3.60	0.05	0.04	0.04	0.00
MINING AND QUARRYING	182	0.2	24	103	27	15	9	4	0.03	0.14	0.04	0.02	0.01	0.01
MANUFACTURING	8,251	11.1	607	6,059	658	518	352	57	0.82	8.14	0.88	0.70	0.47	0.08
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	134	0.2	58	61	3	4	5	3	0.08	0.08	0.00	0.01	0.01	0.00
WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	321	0.4	39	200	25	23	27	7	0.05	0.27	0.03	0.03	0.04	0.01
CONSTRUCTION	4,541	6.1	465	3,564	277	161	67	7	0.62	4.79	0.37	0.22	0.09	0.01
WHOLESALE AND RETAIL TRADE REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	27,307	36.7	1,879	24,140	826	342	107	13	2.52	32.44	1.11	0.46	0.14	0.02
TRANSPORTATION AND STORAGE	6,445	8.7	299	5,795	208	99	37	7	0.40	7.79	0.28	0.13	0.05	0.01
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	4,611	6.2	278	3,922	311	78	20	2	0.37	5.27	0.42	0.10	0.03	0.00
INFORMATION AND COMMUNICATION	1,515	2.0	338	1,037	73	35	25	7	0.45	1.39	0.10	0.05	0.03	0.01
FINANCIAL AND INSURANCE ACTIVITIES	413	0.6	69	287	13	15	18	11	0.09	0.39	0.02	0.02	0.02	0.01
REAL ESTATE	493	0.7	119	331	21	16	5	1	0.16	0.44	0.03	0.02	0.01	0.00
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	5,707	7.7	531	4,956	152	48	18	2	0.71	6.66	0.20	0.06	0.02	0.00
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	1,438	1.9	428	872	55	47	22	14	0.58	1.17	0.07	0.06	0.03	0.02
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	268	0.4	10	31	41	74	80	32	0.01	0.04	0.06	0.10	0.11	0.04
EDUCATION	1,020	1.4	67	453	41	158	296	5	0.09	0.61	0.06	0.21	0.40	0.01
HEALTH & SOCIAL WORK	3,298	4.4	49	2,965	70	73	120	21	0.07	3.98	0.09	0.10	0.16	0.03
ARTS, ENTERTAINMENT AND RECREATION	1,176	1.6	416	629	47	45	33	6	0.56	0.85	0.06	0.06	0.04	0.01
OTHERS	4,232	5.7	1,192	2,970	51	13	6	0	1.60	3.99	0.07	0.02	0.01	0.00

R1) enterprises with no employees

R2) Concerning wholesales & retails, enterprises which repair for automobiles or motorcycles is included.

Source: National Classification of Activities NKD Rev. 2 and by number of persons employed, 2012

3.2 Framework of Institutions for Private Sector Development (overall)

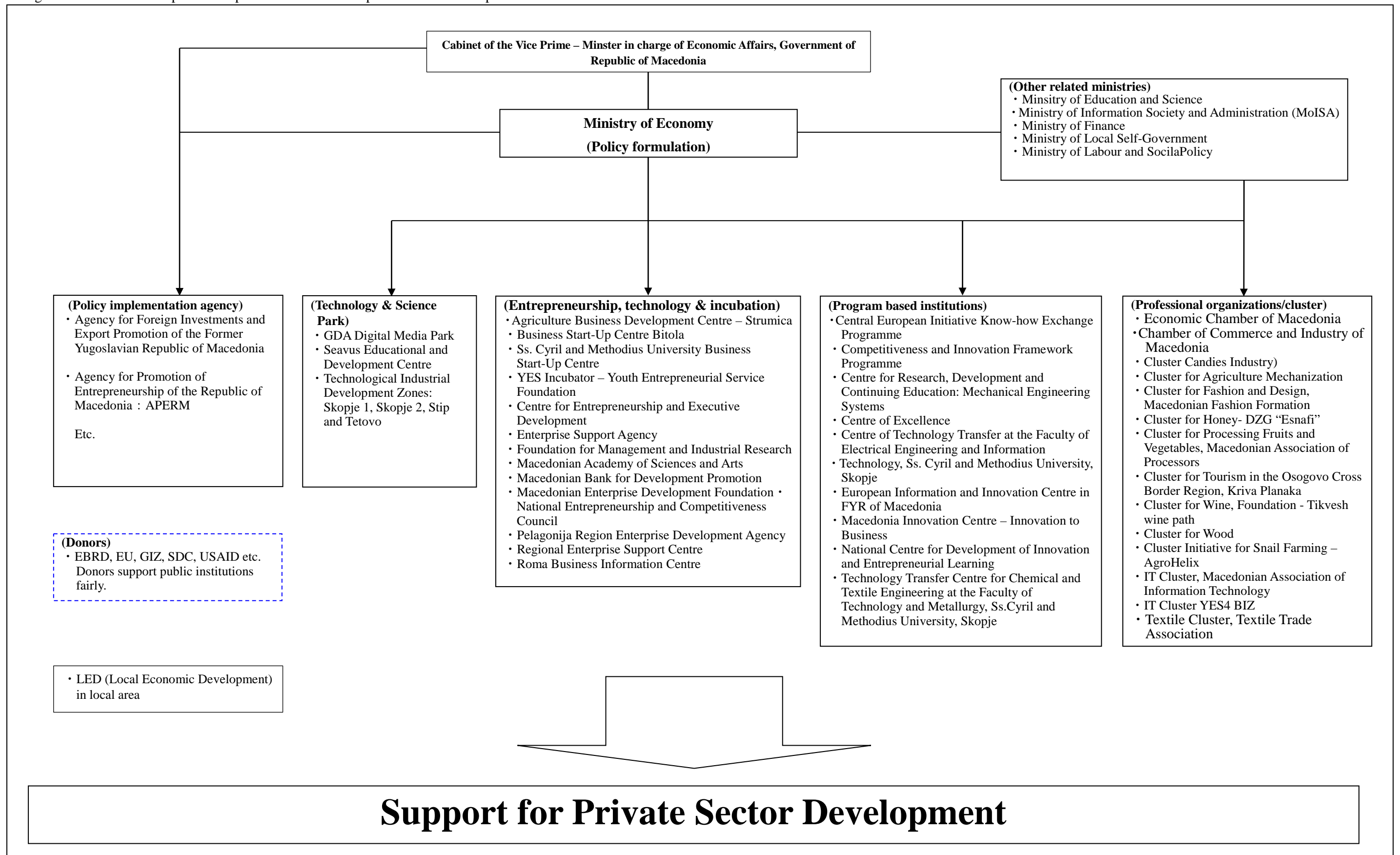
There exists a variety of public and private institutions for private sector development as shown in the figure. Under the Cabinet of the Vice Prime-Minster in charge of Economic Affairs, Government of Republic of Macedonia, the Ministry of Economy is one of the main institutions responsible for policy formulation in private sector development. As implementation institutions of government for that, there exist the Agency for Foreign Investments and Export Promotion of the Former Yugoslavian Republic of Macedonia, and Agency for Promotion of Entrepreneurship of the Republic of Macedonia (APERM) and so on. Besides these, there are various other institutions as shown in Figure 3-1.

(Remarks)

The institutions, which are referred in Figure 3-1, are basically based on information of WBC-INCOM dated 22nd July 2011.

(WBC-INCO.NET, an FP7 funded project running from 2008 to 2013 with a total of 29 project partners, aims at the enhancement of the integration of Western Balkan Countries in the European Research Area (ERA). Its core objectives are to support the bi-regional dialogue on science and technology (S&T), to identify RTDI (research, technology, development and innovation) cooperation potentials and priorities for take-up in FP and other EU programmes, to enhance participation of WB researchers in EU projects, to analyse innovation needs and barriers in the WBC, to exchange information and best practices on innovation policies and to establish closer cooperation between research and innovation.)

Figure 3-1 Framework of public and private institutions for private sector development



3.3 Institutions related to Private Sector Development

3.3.1 Ministry of Economy

(1) Framework of Ministry of Economy (MoE)

The Ministry of Economy (MoE) has targets nine priority areas as shown below:

1. Proposition of pro-active industrial policy for increasing the competitiveness of industrial production and development of certain industrial sectors;
2. Stimulation of investment through improvement of the investment climate;
3. Increase of regulation of the internal market and price liberalization, supervision of the movements and market conditions of goods and services and the influence of economic policy measures on market movements and the relations on the market, the supply of the market with food and other products for general use, market surveillance and protection of consumers and their rights;
4. Development of the energy sector, increase of energy efficiency and stimulation of larger use of renewable sources of energy, competitiveness, safety of supply with energy and environmental protection;
5. Stimulation of entrepreneurship and innovation and development of small and medium enterprises and crafts;
6. Creation of conditions for increase of the export through intensive export promotion, “multilateral and bilateral cooperation”, liberalized trade regime and creation of corresponding regulatory frame in accordance with EU standards and requirements of the WTO;
7. Use of mineral and non-mineral natural resources;
8. Development and promotion of tourism;
9. Management and inspection surveillance and other management works stipulated by law.

The MoE has the following departments

- Department for Coordination of Minister's Activities
- Department for Human Resources
- Department for Tourism
- Department for Energy
- Department for European Integration
- Department for Legal Affairs
- Department for Entrepreneurship and Competition in Small and Medium Enterprises
- Department for International Trade Cooperation
- Department for Industrial Policy
- Department for Mineral Resources
- Department for Investments and Social Responsibility
- Department for Internal Market
- Department for Financial Affairs

• Department for Information and Communication Technologies

In particular, the Department for Industrial Policy and the Department for Entrepreneurship and Competition in Small and Medium Enterprises are substantially related to private sector development.

1) Department for Industrial Policy

The Department for Industrial Policy with 12 staff members is in charge of policy formulation and monitoring for industrial policy.

2) Department for Entrepreneurship and Competition in Small and Medium Enterprises

The Department for Entrepreneurship and Competition in Small and Medium Enterprises with 7 staff members is in charge of policy implementation and monitoring based on the SME policy. The Department is composed of two sections - Entrepreneurship and Competition.

(Remarks –EU integration)

EU provides technical assistance in five fields for EU candidates through the framework of Instrument for Pre-Accession Assistance (IPA). The budget allocations for 2011-13 are as follows (Table 3-4). In comparison with income between capital and local areas, per capita GDP in urban areas is twice as large as that in local areas. EU regards correction of regional disparities as a crucial element and allocates a budget of €51.08 million for regional issues in 2013.

Table 3-4 Budget Allocation to Macedonia for 2011-13 (Measurement unit: €million)

Fields	2011	2012	2013
• Support for transition and institutional building	28.80	28.20	27.94
• Cross-border cooperation	5.12	5.18	5.24
• Regional development	39.30	42.30	51.80
• Human resource development	8.80	10.38	11.20
• Rural development	16.00	19.00	21.03
Total	98.02	105.07	117.21

EU Annex Instrument for Pre-Accession (IPA) Multi-annual Indicative Planning Document (MIPD) 2011-13 the Former Yugoslav Republic of Macedonia

3.3.2 Technology and Innovation Agency of the Republic of Macedonia

In August 2012, the Cabinet of the Vice Prime – Minister in charge of Economic Affairs, Government of Republic of Macedonia sent a request to the Government of Japan for technical cooperation. The request sought “improvement of organizational capacity concerning the local business environment and innovation,” specifically the following activities.

(Contents of the requests)

- Support for compilation of an innovation strategy (F/S implementation, training for related personnel, and support for compilation of policy concerning technology transfer to domestic enterprises)

- Assistance for small and medium enterprises (support for compilation of export policy, promotion of exports to Japan, a study of good cases in countries with private sector in a similar stage of development as that in Macedonia)

The JICA study team here clarified the following points.

(Confirmation items)

1) The Technology and Innovation Agency of the Republic of Macedonia (TIARM) does not exist as an “agency.”

2) Instead, preparations are being advanced for it to exist as a “fund” and it is scheduled to be established in September 2013.

The responsible government office will be the Ministry of Education and Science (MoES) and it will advance innovation under funding from donors. For example, it plans on deploying concrete activities concerning innovation based on funding from the WB and EU (IPAI)

(For example, €25million Euros from the WB and IPA funds over 3 years).

3) The following activities via the fund (project base) would be implemented:

- Capacity building for innovation of enterprises
- Assistance so that enterprises can accept new technologies
- Development of infrastructure to enable business incubation, etc.

4) As a current issue, it is necessary to nurture human resources who are capable of providing assistance for innovation.

Firstly, it will be necessary to develop human resources capable of providing general innovation and secondly, it will be necessary to do human resources who can provide concrete innovation in specific sectors (auto-components, food processing, logistic, textiles).

In more specific terms, it will be necessary to develop human resources who are affiliated with universities and conduct entrepreneurship assistance and business deployment, and these human resources will implement coaching for entrepreneurs and companies.

TIARM does not exist. That's to say, there is a fund but no actual agency (scheduled for establishment in September 2013). If JICA offers technical assistance, it will be possible to meet the request of developing human resources capable of providing general innovation or human

resources who can provide concrete innovation in specific sectors; however, in the case where technical assistance is implemented, the question of how to set the C/P agency will be important.

For example, if a university is adopted as the C/P agency, it could only be active so long as the fund are given; however, there is no guarantee that autonomous development could be realized following completion of the assistance project. If assistance is implemented, it will be necessary to implement the project upon fully securing sustainability (growth potential) following the end of the project.

Agency for Foreign Investments and Export Promotion of the Former Yugoslavian Republic of Macedonia promotes activity (investment/export) by overseas enterprises, while APERM is in charge of developing small and medium enterprises. It is very important to coordinate and distinguish roles among these agencies and funds. Moreover, depending on the approach to technical cooperation, there is a strong possibility that relationships will develop with the activities of other assistance agencies (Agency for Foreign Investments and Export Promotion of the Former Yugoslavian Republic of Macedonia and APERM). Therefore, it is necessary to clarify the cope and contents of a project; otherwise the assistance activities may overlap.

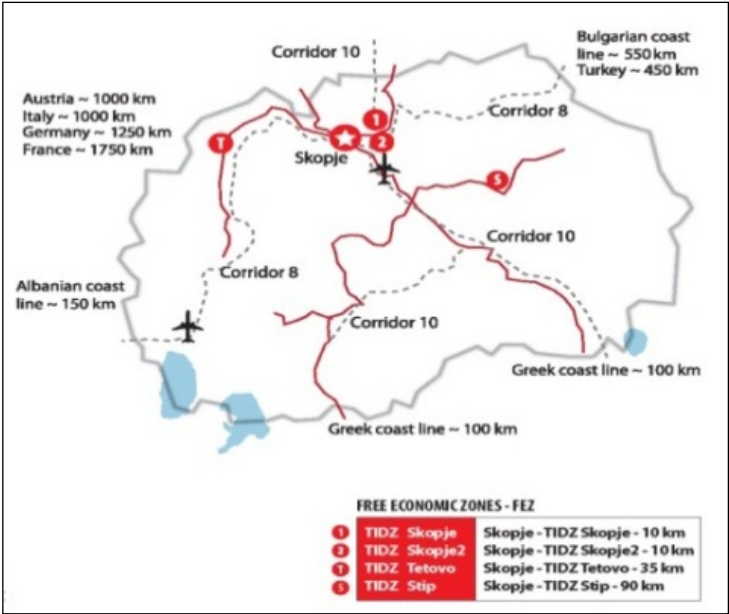
3.3.3 Major Support Institutions for Private Sector Development (Public and Private Institutions and Donors)

As described in section 3.2 'Institutions for Private Sector Development (overall)', on a state level, there are state support institutions such as the Agency for Foreign Investments and Export Promotion of the Former Yugoslavian Republic of Macedonia and the Agency for Promotion of Entrepreneurship of the Republic of Macedonia and so on. Besides these institutions there are non-governmental support institutions such as BSO (Business Support Organizations), universities, professional or industrial organizations and local consultants.

The profiles of public and private institutions and donors on private sector development are summarized in Tables 3-5 & 3-6.

Table 3-5 Major support institutions for private sector development

Private sector development institution		Organization Profile	Main Activities
	Name of Supporting Institution		
Government (Central)	Agency for Foreign Investments and Export Promotion of the Former Yugoslavian Republic of Macedonia	<ul style="list-style-type: none"> - Established: 2005 - Budget (2013): 416. 035,000 denar - Staff: 30 persons in Macedonia 29 persons in overseas countries 	<p>(Main activities)</p> <p>1) Investment promotion</p> <ul style="list-style-type: none"> - Priority sectors for inviting investment: Auto components, ICT, agro-processing, medical supplies, etc. - Investment issues: The global financial crisis has caused investment to decline. <p>2) Export promotion</p> <ul style="list-style-type: none"> - Export promotion functions underwent government decision in 2010 and activities were commenced in 2012 following the preparation period. The Export Promotion Department was established in 2012, and the Department of Aftercare Service For FDI companies, was also established in 2013. <ul style="list-style-type: none"> - Priority sectors for promoting investment: ICT, auto components, textiles, agro-processing, etc. - Other promotion sectors: Electrical components, wood processing, metal processed parts, logistics, etc. <p>(Collaboration with donors)</p> <ul style="list-style-type: none"> - Technical assistance by USAID to develop capacity of the Department of Aftercare Service For FDI companies. <p>(Anticipated JICA assistance)</p> <p>1) Technical assistance by Japanese experts aimed at encouraging Japanese affiliated enterprises in Europe to conduct direct investment, etc.</p> <p>2) Technical assistance for development of export promotion tools (assistance for collection and analysis of various data on export promotion, and preparation of materials (external use and internal use) including market research information that will help promote exports)</p>
	Agency for Promotion of Entrepreneurship of the Republic of Macedonia (APERM)	<ul style="list-style-type: none"> - Established: 2004 - Budget (2013): 4,300,000 denar - Staff: 12 persons 	<p>(Main activities)</p> <p>1) Assistance for enterprises based on a voucher system (a scheme where APERM bears part of the technical assistance fee for enterprises when assistance is provided via BSOs – 25% of the APERM budget)</p> <p>2) Info-port (provision of information to BSO)</p> <p>3) Seminars for entrepreneurs and enterprise promotion</p> <p>4) Provision of research and training opportunities for encouraging entrepreneurship by women</p> <p>5) Promotion of self-employment (provision of subsidies to assist entrepreneurship by unemployed persons)</p> <p>(Collaboration with donors)</p> <ul style="list-style-type: none"> - The main activities comprise co-financing whereby part of the project budget is provided. - Currently, the main activities are initiatives making use of IPA funds in South East Europe (e.g. FINNO: building of a mechanism for promoting innovation in southern European countries), - DOCSAMES: establishment of PhD program in entrepreneurship and management in the faculty of economics, Prelip university - VIBE (Venture Initiative in the Balkan Europe) <p>(Future activities with EU) - EU is preparing for private sector development (industrial promotion project).</p> <p>1) Duration: 2 years from October, 2013</p> <p>2) Budgets: €million(€2 million to strengthen government institutions (industrial issues) and €1 million to provide technical assistance to SMEs directly)</p> <p>3) C/P agencies: Mainly Ministry of economy, including various institutions such as APERM or Agency for Investment and Export Promotion</p> <p>4) Contents of project</p> <p>①Industrial issues: Review/evaluation/recommendations on current implementation of Industrial policy and capacity development of human resources</p> <p>②Implementation of provision of direct technical assistance to SMEs (50 SMEs) through mainly local consultants other than international consultants</p> <p>(Anticipated JICA assistance)</p> <p>1) Technical assistance, including capacity building of APERM staff, capacity-building of local consultants and direct technical assistance to SMEs</p> <p>2) Implementation of technical assistance to specific sectors</p> <p>3) Business innovation assistance (concerning entrepreneurship, assistance for elementary contents, and high-level assistance for enterprises that have reached a certain degree of development)</p>

Private sector development institution		Organization Profile	Main Activities
	Name of Supporting Institution		
	Directorate for Technological Industrial Development Zones: DTIDZ)	<ul style="list-style-type: none"> - Established: 2002 - Budget (2013): €8Million - Staff: 30 persons 	<p>(Main Activities)</p> <p>1) Development of TIDZ and attraction of enterprises</p> <p>- TIDZ in operation or considering operation: 4 locations</p> <ul style="list-style-type: none"> - Skopje1: In operation (Johnson & Control, Johnson Matthey Catalysts and so on) - Skopje2: Around July (a Dutch automobile company (VAN HOLL) plans to start operation producing buses and trucks), Stip: In operation around June 2013 (scheduled for operation by Johnson & Control), Tetovo: Not operating (TIDZ is planned to be created based on collaboration of public and private sectors) - Operating enterprises: 8 enterprises - Skopje (7 enterprises) and Stip (1 enterprise will start operation in June: Johnson & Control) <p>- TIDZ being planned (7 locations)</p> <ul style="list-style-type: none"> • Struga, Kichevo, Prilep, Radovish, Strumica, Gevgelija, Rankovce Another 3 are being considered: Delchevo, Berovo, Vinica <p>• TIDZ target sectors and countries</p> <p>All sectors can be targets, but in Skopje, capital-intensive sectors are targeted (example: auto-related, pharmaceutical products, chemicals and electronics, etc.)</p> <p>Target countries: United States and United Kingdom, etc.</p> <p>(TIDZ locations)</p>  <p>(Collaboration with donors)</p> <ul style="list-style-type: none"> - Support for strengthening of functions in departments responsible for following-up enterprises that enter TIDZ (USAID) <p>(Anticipated JICA assistance)</p> <ol style="list-style-type: none"> 1) Implementation of technical assistance linking the enterprises entering TIDZ and local enterprises (strengthening of manufacturing capacity of local enterprises, supply chain strengthening) 2) Implementation of capacity building for staff concerning collaboration of public and private sectors (collaboration of public and private sectors is important for promoting TIDZ)
	Standardization Institute of the Republic of Macedonia	<ul style="list-style-type: none"> - Established: 2003 - Budget (2013): €500,000 - Staff: 21 persons - Member of CEN-CENELEC: 	<p>(Main activities)</p> <ol style="list-style-type: none"> 1) Decision of standardization for items (28 committees) 2) Seminar or training basically one-day seminar in several issues such as ISO5001, 9001, 14001, 18001, HACCP, etc.

Private sector development institution	Main Activities		
	Name of Supporting Institution	Organization Profile	
		European Committee for Electro-technical Standardization -European Committee for Electro-technical Standardization	(Collaboration with donors) - No activities (Anticipated JICA assistance) 1) Technical assistance to establish a laboratory for CE-mark acquisition (financing and technical assistance)
Government (Local)	Local Economic Development (LED) office	- LED: Approximately 60 LEDs in Macedonia	- Local development (Reconstruction of local area and repair of roads, etc.) A few persons are assigned, depending on each municipality. (e.g. Municipality of Center Skopje) <div>(Current condition of LED) - Annual budgets: €30,000 - 50,000 - No. of staff: Two persons - Constraints and support needs: Insufficient allocation of budget and insufficient arrangement of policies and laws for local economic development</div>
University	Technological Transfer Centre (TTC)	TTC is established within the Faculty of Mechanical Engineering St. Cyril and Methodius University. (TTC exists not as a physical centre but as a functional one.)	(Main activities) 1) Promotion of introduction of 'Environmental Sound Technology' to SMEs - Capacity building of 45 staff (instructors) who can instruct SMEs on introduction of 'Environmental Sound Technology' (UNIDO technical assistance) - Provision of technical assistance to SMES by 45 instructors E.g. Energy use of heat after baking. 2) Promotion of E-Library E-Library is an information network to exchange business opportunities through an internet system between enterprises and suppliers 3) Seminars or workshops 4) Lecture to students by staff of Johnson & Control (Auto components) (Collaboration with donors) - Only technical assistance by UNIDO (Anticipated JICA assistance) - Technical or financial assistance to lead to energy efficiency of SMEs
	South East Europe University Technology Park	-Established: 2013 - Budget (2013): €50,000 (budget only from university) - Staff: 20 persons, including 3 administrative staff - South East Europe University itself was established in 2000 funded by EU, USAID and the Government of Macedonia	(Main Activities) 1) Support for a start-up of business by students (provision of space to them without any charge for maximum six months to consider new business) 2) Collaboration with industrial sector (enterprises) in research or analysis and others For, example, provision of space to develop business of enterprises without any charge for maximum three years - currently three companies (Kosovo, USA and Macedonia) are in the Technology Park 3) Provision of training program with charge (CISCO System) 4) Support for employment of students to companies (Collaboration with donors) - No project presently (Anticipated JICA assistance) 1) Technical assistance to manage Technology Park 2) Technical assistance to human resources (collaboration between academics and business sector) 3) Technical assistance for establishment of network between the Technology Park and other overseas institutions or universities

Private sector development institution	Organization Profile		Main Activities
	Name of Supporting Institution		
Non-government Institutions BSO (Business Support institutions)	RESC(Bitola) RESC (Kumanovo) RESC (Skopje) RESC (Strumica) RESC (Veles)	- Established in 1999, supported by EU. - Staff/Budget (2013): N/A	<p>(Main activities)</p> <ol style="list-style-type: none"> 1) Technical assistance such as entrepreneurship through governmental (MoE, APERM) or donor funds 2) Technical assistance through a voucher scheme in which the APERM provides (Not all agencies deal with a voucher scheme.) 3) Seminar arrangement for 1-2~4 days, mainly funded by donors or government (business plan, financial plan, marketing, how to start business , how to register an enterprise, credit line, HACCP) 4) Provision of business advisory service to SMEs (mainly in management, financial access, registrations, etc.) <p>(Remarks)</p> <p>- For your reference, the number of staff of each institution is 2-5 persons and the annual budget ranges between €30,000~60,000, when the JICA expert visited all these institutions in 2009. The interview was conducted with only one ESA (Tetovo) during the term of study.</p> <p>(e.g. ESA: Tetovo)</p> <div> <p>- Established in 1998 supported by British government</p> <p>- Staff: 3 persons</p> <p>- Budget (2013): €30,000</p> <p>- No. of staff: 3 persons (Head: 1, Business advisor in financing: 1, Business advisor in business planning and management: 1, Secretary)</p> <p>- No. of SMEs to be supported: Approximately 500 enterprises</p> <p>- Major sectors in region: Construction, furniture, food processing, metal processing and textiles, etc.</p> <p>(Main activities)</p> <ol style="list-style-type: none"> 1) Implementation of technical assistance through a voucher scheme of APERM (2 applications in 2013) 2) Implementation of seminars (Business plan and financing; 2-5 days seminar), marketing, management, diagnosis of enterprises etc.) 3) Information collection and provision to SMEs <p>(Collaboration with donors)</p> <p>- No project presently</p> <p>(Anticipated JICA assistance)</p> <ol style="list-style-type: none"> 1) Provision of technical assistance in order to review and establish comprehensive local SME support system for ESA, RESC etc. (establishment of One-Stop-Service to SMEs) </div>
	PREDa (Prelip)	- Established: 1999 supported by SDC) - Staff/Budget (2013): N/A	
	ESA (Gostivar) ESA (Ohrid) ESA (Tetovo)	- Established in 1998 supported by the British government. - Staff/Budget (2013): N/A	
	Roma Business Information Centre (RBIC)	- Established: 2005 - Staff/Budget (2013): N/A	
Professional or industrial organization	Economic Chamber of Macedonia (ECM)	- Established: 1922 - Budget(2013): Approximately €1 million - Staff: 70 persons, including 5 regional offices - No. of Associations under the ECM in 2013: 19 - No. of members in 2013: 15,000 enterprises	<p>(Main activities)</p> <ol style="list-style-type: none"> 1) Lobby to government to protect members' interests 2) Promotion of enterprises' partnership domestically and internationally (Promotion of business match) 3) ECM Adult Educational center: Seminars, workshops, training (e.g. ECM provides members with several training courses for 1-3 days (max 2 months) in corporate laws, HACCP, EU regulations, international marketing Resources in lectures: Domestically or internationally) 4) Provision of business information 5) Activities as a representative chamber to international institutions 6) Issuing the certificate of origin 7) Provision of legal advice 8) Provision of consulting opportunities <p>(Promising sectors)</p> <p>- Promising sectors (growing sectors) are food processing, vegetable and fruit processing and metal processing. In the auto-related sectors, major overseas enterprises are entering the market, making it difficult for local enterprises to gain a foothold. (The number of local enterprises is decreasing).</p>

Private sector development institution	Organization Profile		Main Activities
	Name of Supporting Institution		
			<p>(Collaboration with donors)</p> <p>1) EC: It received financial assistance for research costs (research and technical development, etc.) in Europe based on the framework of FP7 (Seventh Framework Programme for Research and Technological Development).</p> <p>2) EC: It received technical assistance for analysis of current conditions in the construction sector, preparation of the road map and proposal activities.</p> <p>(Anticipated JICA assistance)</p> <p>1) Technical assistance for enterprises and nurturing of local consultants (provision of practical training)</p> <p>2) Technical assistance for establishment of a credit guarantee system</p> <p>(Remarks)</p> <p>- Under the ECM, the Management Consulting Association was established in 2000</p> <p>(Management Consulting Association)</p> <div> <p>- Establishment: 2000</p> <p>- No. of staff: N/A</p> <p>- Annual budgets (2013): €8,000</p> <p>- Member (2013) : 60 persons</p> <p>(Main activities)</p> <p>1) Promotion of consulting (Quality Management System: support for acquisitions of ISO or HACCEP : 30%, IT introduction: 15%, financial support : 10-12%, support on HRM: 10-12% and so on)</p> <p>2) Strategy formulation; How to promote Consultancy in Macedonia)</p> <p>3) Quality improvement of consultants through acquisitions of Certified Management Consultant</p> <p>4) Research or study for fields in which consultants need to develop capacity</p> <p>5) Provision of training to consultants; 4 day training on basic consulting and 2 day training on how to make process for consulting</p> <p>- There are 5-7 consultants in fields of production or quality management; however, there few one who can provide practical technical assistance to SMEs.</p> <p>(Collaboration with donors)</p> <p>- No collaboration</p> <p>(Anticipated JICA assistance)</p> <p>1) Capacity development of local consultants; in particular, who can provide practical technical assistance to SMEs</p> </div>
	Macedonia Chambers of Commerce	<p>- Established: 2004</p> <p>- Budget (2013): Approximately 4 million Denar</p> <p>- No. of Associations under the Chamber: 8 (Industry, Trade, Service, Agribusiness, ICT, Tourism, Construction and Accounting)</p> <p>- No. of members in 2013: 1,500 enterprises, including approximately 400 enterprises in service sector</p>	<p>(Main activities)</p> <p>1) Lobby to government to protect members' interests</p> <p>2) Suggestion to government for drafting a new law to protect members' interests</p> <p>3) Staging of 'First International Conference for PhD students - Resent researches and issues in economics, management and business' in2013</p> <p>(Collaboration with donors)</p> <p>- No direct project with donors</p>

Private sector development institution		Organization Profile	Main Activities
	Name of Supporting Institution		
	ICT Chamber of Commerce	<p>-Established: 2000</p> <p>- Budget (2013): N/A</p> <p>- Staff: 3 persons</p> <p>No. of member enterprises (2013): Approximately 70</p> <p>(There are around 120~130 ICT enterprises in Macedonia and they each employ around 30 employees on average).</p>	<p>(Main Activities)</p> <p>1) Activities for protecting the interests of members (promotion of software exports, promotion of overseas business matching, promotion of participation in overseas fairs, provision of information concerning markets at home and abroad, etc.)</p> <p>2) Assistance for compilation of ICT strategy by the government</p> <p>3) Building of networks at home and abroad</p> <p>- 90% of customers are domestic and there is a desire to target customers in the UK, Scandinavia and the US in future, however, there is a shortage of human resources who are able to build software.</p> <p>(Collaboration with donors)</p> <p>- Participation in overseas business fairs, separate business matching (provision of funds by GIZ, USAID, SDC and the Government of the Netherlands)</p> <p>- ICT policy making cooperation (GIZ: Export Promotion Strategy for the Macedonian Software and IT Services Industry, January 2010, USAID: Policy Paper Unique value proposition for the Macedonian software and IT service industry Report, August 2012, Version 2.0, Prepared by: Claus Traeger)</p> <p>(Anticipated JICA assistance)</p> <p>1) Technical assistance for ICT exports, building of customer information at home and overseas (marketing tool), promotion of collaboration between universities and ICT enterprises, etc.</p>
	Business Incubation Centre	<p>- Business incubation centres were originally established in 2001 in Deceive, Makedonska Kamenica, Ohrid, Prelip, Stip, Strumica, Veles, and Skopje (newly established in 2005).</p>	<p>(Interviews to these institutions were not done during the term of then study.)</p> <p>(Main activities)</p> <p>1) Technical assistance to entrepreneurs or provision of incubation space</p> <p>(Business Incubation centres except Skopje were established in 2001 by the World Bank fund. Almost incubation centres have been closed because of difficulty in implementing technical assistance due to the insufficient fund. However, the incubation center in Skopje is very active.</p> <p>(e.g.) The Youth Entrepreneurial Service (YES) in Skopje was established by financial support of government of Norway and Soros Foundation in 2005. The YES is active and aims to support young entrepreneurs mainly in the IT sector through provision of work space and facilities and training or opportunities to participate in fairs, etc.</p>

Remarks: The contents which are described are based on information from HP, obtained documents and interviews to institutions.

Table 3-6 Donor support on Private Sector Development

Donors	Activities for Private Sector Development (Overall)	
Dutch Embassy	(Dutch Activities for private sector development)	
	Program	Contents
	PUM (Netherlands Management Cooperation Program)	<p>- Provision of technical assistance by international consultants from the Netherlands</p> <p>Duration of technical assistance: maximum four weeks Areas of technical assistance: productivity improvement, sales channels development, human resources management etc. The enterprises must pay only for accommodations of international consultants (Other cost is covered by Dutch embassy.)</p> <p>Annually, 30-40 proposals form enterprises are adopted.</p>
	PSI (Program for Sustainable Investment (since 1998)	- Promotion of Joint Venture between Dutch and Macedonian enterprises (fund provision up to 50% and €1.5 million) So far, approximately 30 JV enterprises have been established.
	MMF (Match Making Fund) (since 2006)	<p>- Promotion of business matches between Dutch and Macedonian enterprises (e.g. a subsidy for hiring a Dutch consultant to coordinate a business match between them: €3,000-5,000) The number of applications from enterprises is approximately ten annually.</p> <p>Support fields: Agriculture, Construction and Infrastructure, Chemical and Synthetic industry, Creative Industry, Energy Environment, Forestry and wood industry, Fertilizers, Horticulture, Housing and project furnishing, ICT, Machine industry, Metal industry, Mining and Petro chemistry, Service Industry, Slaughterhouses and meat industry, Stock farming, Tourism, recreation and catering, Transport (industry)</p>
	CBI (Centre for Promotion of Imports from Developing Countries)	<p>- Capacity development of local enterprises which want to promote exports (e.g. wine, auto components, textiles, etc.) Enterprises must make a certain share of incurred cost (maximum €1,000) for consulting. Most of enterprises are not micro but small or medium sized companies.</p> <p>So far, support fields are fruits, vegetables, wine, engineering or IT and so on. (A study for potential market, HACCP, activity for Global GAP (Good Agricultural Practices), exhibition participation and so on)</p> <p>- Fresh fruit and vegetables 2008 -2014 - Wine 2012 - 2016 - Pipe and process equipment 2009 - 2013-2016</p> <p>In the following sub-sector, 'Export Coaching Programmes' (technical assistance in product development, production and</p>

Donors	Activities for Private Sector Development (Overall)							
		<p>quality management, general management, export marketing, support to enter markets or delivery of various study reports and so on) for the following products are planned.</p> <p>(Metalworking, (castings, forgings, sheet metal, machine shops, etc.), Rubber and plastic processing, Assembly, Automotive parts and components, Pipe and process equipment, Drives and transmissions, hydraulics, pneumatics, Tooling, Handling equipment, Electronic components and systems)</p>						
EBRD	<p>- Main four areas: 1 enterprises, 2 financial sector, 3 infrastructure and energy, 4 policy dialogue</p> <p>- Activities for enterprises</p> <p>1) Support to enterprises: Provision of a financial subsidy to enterprises for individual consulting by international or local consultants through EGP (Enterprise Growth Programme) & BAS Project (Business Advisory Services Project)</p> <p>Until June 2011, €4.9 million were provided for 450 projects and the average rate of subsidy is 57%; mainly general management or productivity improvement for BAS. Until 2012, €3.2 million were provided for 55 projects for EGP.</p> <p>(EGP: dispatch of international consultants for 18-24 months - the former title is TAM project and BAS project: dispatch of local consultants for a short term)</p> <p>(BAS project)</p> <p>- Consulting fields: Marketing (35-40%) and others (management, including Management Information System, ISO, HACCEP, Energy saving, etc.)</p> <p>- Duration of consulting: 2-6 months</p> <p>- Payments: An enterprise needs to pay for 50% of total consulting fees.</p> <p>- Average fees paid by an enterprise: €4,000 - €5,000</p> <p>- Constraints of local consultants</p> <p>Local consultants need to gain more practical knowledge rather than theoretical. In particular, they are lacking in the practical consulting skills or techniques on manufacturing.</p> <p>(Remarks)</p> <p>- If JICA can dispatch manufacturing experts to implement projects aimed at 1)improving enterprises, and 2) capacity building of local consultants (visiting enterprises for improvement and conducting TOT for local consultants), it is possible to recommend local consultants who are registered with BAS. Alternatively, it is also possible to dispatch JICA manufacturing experts to the BAS program and achieve 1) and 2).</p> <p>- Provision of financial support in private corporations, financial institutions, infrastructure</p> <p>(Financial support results)</p> <table><tr><th>Item</th><th>Total amount of financial support</th></tr><tr><td>Private corporations</td><td>€122.0 million since 1998</td></tr><tr><td>Financial institutions</td><td>€117.4 million since 1995</td></tr></table>		Item	Total amount of financial support	Private corporations	€122.0 million since 1998	Financial institutions	€117.4 million since 1995
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Donors	Activities for Private Sector Development (Overall)													
	Infrastructure	€264.5 million since 1993												
	(EBRD Strategy for the Former Yugoslav Republic of Macedonia 2010-2013and BAS June 2011)													
EU	<div>- Private sector development (industrial promotion project) under the preparation</div> <div>1) Duration: 2 years from October, 2013</div> <div>2) Budgets: €3 million(€2 million to strengthen government institutions (industrial issues) and €1 million to provide technical assistance to SMEs directly)</div> <div>3) C/P agencies: Mainly Ministry of Economy, including various institutions such as APERM or Agency for Investment and Export Promotion</div> <div>4) Contents of project</div> <div>①Industrial issues: Review/evaluation/recommendations on current implementation of industrial policy and capacity development of human resources</div> <div>②Implementation of provision of direct technical assistance to SMEs (50 SMEs) through local consultants other than international consultants</div> <div>(Remarks) After 2015, more involvement to innovation promotion would be considered.)</div> <div>(On-going activities)</div> <div>- Information Provision through European Information and Innovation Centre in Macedonia: EIICM</div> <div>(no provision of direct technical assistance to SMEs)</div> <div>(Support by EIICM)</div> <table><tr><th>Item</th><th>Activity</th></tr><tr><td>1) Information provision</td><td>- Information provision in EU policy, EU funds, programs, access of EU markets, EU regulations (European Standards, Testing and Certification, CE-Marking, Food Packing, HACCP), financial resources, international technical resources to SMEs and consultants and so on</td></tr><tr><td>2) Tender</td><td>- Information provision in EU tenders - Technical assistance in drafting tender documents to SMEs</td></tr><tr><td>3) Business partner</td><td>- Research support in developing business partners of SMEs domestically and internationally - Issuing booklets to describe business partners</td></tr><tr><td>4) Technical assistance</td><td>- Introduction of technicians or enterprises that have the potential to start business to local enterprises that require technical assistance (If both agree to that, a local enterprises must pay for consulting fees.)</td></tr><tr><td>5) Others</td><td>- Arrangement of seminars related to EU - Technical assistance to make SMEs participate in trade fairs, exhibitions - Issuing EU newsletters, weekly reports, etc.</td></tr></table> <div>(EEN)</div> <div>- Information provision through Enterprise Europe Network</div> <div>Information provision on EU market condition, business matching advisory service</div>		Item	Activity	1) Information provision	- Information provision in EU policy, EU funds, programs, access of EU markets, EU regulations (European Standards, Testing and Certification, CE-Marking, Food Packing, HACCP), financial resources, international technical resources to SMEs and consultants and so on	2) Tender	- Information provision in EU tenders - Technical assistance in drafting tender documents to SMEs	3) Business partner	- Research support in developing business partners of SMEs domestically and internationally - Issuing booklets to describe business partners	4) Technical assistance	- Introduction of technicians or enterprises that have the potential to start business to local enterprises that require technical assistance (If both agree to that, a local enterprises must pay for consulting fees.)	5) Others	- Arrangement of seminars related to EU - Technical assistance to make SMEs participate in trade fairs, exhibitions - Issuing EU newsletters, weekly reports, etc.
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Donors	Activities for Private Sector Development (Overall)											
	<p>EEN institutions: Ss. Cyril and Methodius University in Skopje, as a coordinator, Foundation for Management and Industrial Re-search, Agency for Promotion of Entrepreneurship of the Republic of Macedonia, Economic Chamber of Macedonia (http://een.mk/home-page.html)</p> <p>- Provision of fund for research or technology development based on the framework of FP7 (Seventh Framework Programme for Research and Technological Development)</p>											
GIZ	<p>- Main three areas: Environment and water, Sustainable economic development, Democratisation and civil society</p> <p>- Activities for enterprises in pursuit of sustainable development</p> <p>(GIZ project)</p> <table><tr><th>Year</th><th>Project title</th></tr><tr><td>2013-2014</td><td><p>-Regional Economic Development Project (€2.7 million) in collaboration with SDC (Budgets; €2.7million)</p><p>(Main activities)</p><ul style="list-style-type: none">- National level: technical assistance for a policy formulation of regional economic development (RED) and coordination among regions- Regional level: Diffusion of improvement of governance among regions- Cluster promotion; in particular in tourism</td></tr><tr><td>2011 -2014</td><td><p>- EU Integration of South Eastern Europe</p><p>Development of human resources who can take responsibilities for the following issues in Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Croatia, Macedonia, Moldova, Montenegro, Romania, Serbia, Ukraine:</p><p>Management and coordination of process prior to EU accession on central level</p><p>Participatory approach to rural development in line with EU standards</p><p>Standards development for vocational training</p></td></tr><tr><td>2011-2013</td><td><p>- German business internship programme for the countries of the Western Balkans</p><p>Provision of internship to German enterprises for students or PhD students for Albania, Bosnia and Herzegovina, Kosovo, Croatia, Macedonia, Montenegro and Serbia (280 students for 65 German enterprises in 2010)</p></td></tr><tr><td>2011-2013</td><td><p>- Development of an alumni network for ‘Sustainable Business Practice’ in South-eastern Europe</p><p>Information exchange seminar arrangement among entrepreneurs in Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Croatia,</p></td></tr></table>		Year	Project title	2013-2014	<p>-Regional Economic Development Project (€2.7 million) in collaboration with SDC (Budgets; €2.7million)</p> <p>(Main activities)</p> <ul style="list-style-type: none">- National level: technical assistance for a policy formulation of regional economic development (RED) and coordination among regions- Regional level: Diffusion of improvement of governance among regions- Cluster promotion; in particular in tourism	2011 -2014	<p>- EU Integration of South Eastern Europe</p> <p>Development of human resources who can take responsibilities for the following issues in Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Croatia, Macedonia, Moldova, Montenegro, Romania, Serbia, Ukraine:</p> <p>Management and coordination of process prior to EU accession on central level</p> <p>Participatory approach to rural development in line with EU standards</p> <p>Standards development for vocational training</p>	2011-2013	<p>- German business internship programme for the countries of the Western Balkans</p> <p>Provision of internship to German enterprises for students or PhD students for Albania, Bosnia and Herzegovina, Kosovo, Croatia, Macedonia, Montenegro and Serbia (280 students for 65 German enterprises in 2010)</p>	2011-2013	<p>- Development of an alumni network for ‘Sustainable Business Practice’ in South-eastern Europe</p> <p>Information exchange seminar arrangement among entrepreneurs in Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Croatia,</p>
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Donors	Activities for Private Sector Development (Overall)																			
		Macedonia, Serbia, Romania e.g. Implementation of food security council in Belgrade, Skopje and Bucharest, Alumni workshop in 2010, 2011																		
	2011-2013	- Capacity building for the use of renewable energy resources and energy efficiency in municipalities of South-eastern Europe Capacity building for efficiency in utilizing resources of renewal energy in municipalities in Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, Serbia																		
	(Previous support) - Investment and export promotion project (2008 to 2012): strengthening competitiveness of enterprises in textiles, auto parts, ITC sector through dispatch of consultants from Germany (e.g. technical assistance for participation in trade fair by enterprises) - Integration of technical EU standards with regard to free movement of goods and energy (2009 to 2011) - Regional and local economic development in Macedonia (RED) (2008 to 2012) (http://www.giz.de/en/worldwide/301.html)																			
JICA	- Dispatch of technical experts in productivity improvement, entrepreneurship promotion, international marketing (JICA project) <table><tr><th>Year</th><th>Project</th></tr><tr><td>2011</td><td>- Dispatch of Tourism advisors (Japan training)</td></tr><tr><td>2010</td><td>- Dispatch of experts in Productivity Improvement</td></tr><tr><td>2010</td><td>- Dispatch of Tourism advisors</td></tr><tr><td>2009</td><td>- Preparatory study for upgrading SME support capacity</td></tr><tr><td>2008</td><td>- Preparatory study for SME promotion support system</td></tr><tr><td>2008-2009</td><td>- The project for improvement of investment promotion capacity</td></tr><tr><td>2006-2007</td><td>- The project for promotion of emerging new industrial enterprises</td></tr><tr><td>2004-2005</td><td>- Production planning, management model in metal processing</td></tr></table>		Year	Project	2011	- Dispatch of Tourism advisors (Japan training)	2010	- Dispatch of experts in Productivity Improvement	2010	- Dispatch of Tourism advisors	2009	- Preparatory study for upgrading SME support capacity	2008	- Preparatory study for SME promotion support system	2008-2009	- The project for improvement of investment promotion capacity	2006-2007	- The project for promotion of emerging new industrial enterprises	2004-2005	- Production planning, management model in metal processing
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2006-2007	- The project for promotion of emerging new industrial enterprises																			
2004-2005	- Production planning, management model in metal processing																			
SDC	- Main three areas: Democratic Governance - decentralization, economic development and water - Financial support (e.g. SECO Start-Up Fund: financial support for Swiss enterprises which invest in partner countries with Switzerland) If enterprises from Switzerland invest in Albania, Bosnia & Herzegovina, Kosovo, Macedonia, Serbia, Kyrgyz Republic, Tajikistan, Azerbaijan and Ukraine and so on, they can gain following benefits. (Benefits) - Financial provision to enterprises: 50 % of a project cost or maximum 500,000																			

Donors	Activities for Private Sector Development (Overall)						
	<p>Swiss-francs can be borrowed for maximum five years. Condition: the borrowers must be resident entrepreneurs within three years after establishment of an enterprise in Switzerland.</p> <p>- SIPPO (Swiss Import Promotion Programme): Promotion of imports from partner countries to Switzerland or European countries (e.g. promotion of business matching) - (1999-2015: CHF 27.3 million)</p> <p>(Projects under consideration)</p> <p>- Financial provision to 'Micro and Small Enterprises Project (USAID)'</p> <p>- Technical assistance to establish value chain in local area</p> <p>- Technical assistance to specific sectors (ICT, Agro-business, Creative Industry, Auto components, and Tourism etc.) in particular, ICT and Tourism</p> <p>- Technical assistance to access to Finance</p> <p>(Details: Swiss Cooperation Strategy Macedonia 2013-2016 and Swiss Cooperation in Macedonia)</p>						
USAID	<p>- Main three areas: check on democratic process, basic education system for youth, and private sector growth for specific sector</p> <p>In particular, concerning private sector growth for specific sector, 1) public and improvement of business environment to enhance investment (public and private dialogue promotion), and 2) capacity building on crucial private sector</p> <p>E.g. strengthening export ability through quality improvement, support for labour intensive industry (business consulting, financial advice on agribusiness and agriculture, light manufacturing, information and communication technology, renewable and alternative sources of energy, and service industries or provision of training</p> <p>- SME support to create employment</p> <p>(USAID project)</p> <table> <tr> <th>Year</th><th>Project title</th></tr> <tr> <td>2011 - 2016</td><td> <p>- Micro and Small Enterprises Project</p> <p>Provision of training to entrepreneurs, enterprises, business support service or financial access opportunities (total budget; USD 800,000; maximum USD80,000 for each enterprise) for areas of Skopje, Polog, Vardar and South-eastern region</p> <p>Implementation agency: Center for Entrepreneurship and Executive Development</p> <p>Duration: 2011 - 2016</p> <p>Budget: USD1,979,400</p> <p>e.g. Entrepreneurship course for 4 months – programs in finance, business planning, sales and marketing, and corporate networking sessions</p> </td></tr> <tr> <td>2012-16</td><td> <p>- Small business expansion project (Pelagonija region)</p> <p>Small business promotion in Pelagorija region through PPP (Agro-processing, rural tourism, and light manufacturing, design and printing services and artisanal work)</p> </td></tr> </table>	Year	Project title	2011 - 2016	<p>- Micro and Small Enterprises Project</p> <p>Provision of training to entrepreneurs, enterprises, business support service or financial access opportunities (total budget; USD 800,000; maximum USD80,000 for each enterprise) for areas of Skopje, Polog, Vardar and South-eastern region</p> <p>Implementation agency: Center for Entrepreneurship and Executive Development</p> <p>Duration: 2011 - 2016</p> <p>Budget: USD1,979,400</p> <p>e.g. Entrepreneurship course for 4 months – programs in finance, business planning, sales and marketing, and corporate networking sessions</p>	2012-16	<p>- Small business expansion project (Pelagonija region)</p> <p>Small business promotion in Pelagorija region through PPP (Agro-processing, rural tourism, and light manufacturing, design and printing services and artisanal work)</p>
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Donors	Activities for Private Sector Development (Overall)	
		Budget USD 5million
	2009 - 2016	<p>- Micro, Small and Medium Enterprises Development Credit Authority</p> <p>Provision of credit guarantee up to maximum 50% of debts -budget USD 9 million and Human resource development of financial consultants</p> <p>Implementation agency: Savings Houses Mozhnosti and FULM Duration: 2009 - 2019 Budgets: USD5million (loan) Beneficiaries: 2,300 people</p>
	2012-2013	<p>• Investment Development and Export Advanced Support Project (IDEAS)</p> <p>Technical assistance to the department for following-up enterprises in TIDZ and the Department of Aftercare Service For FDI companies of the Agency for Investment and Export promotion</p> <p>Implementation Agency: DTIDZ, Agency for Foreign Investments and Export Promotion of the Former Yugoslavian Republic of Macedonia Duration: 2012 - 2013 Budgets: USD4.8 Million</p>
	<p>(Other on-going projects)</p> <ul style="list-style-type: none"> - AgBiz Program (2007-2013: USD 8.3 million) - Business Without Borders Project (2011-2013: USD 1,336,857) - Industrial Management Project (2013-2016: USD 1.3 million) - Project for Microenterprise Access to Public Procurement (2012-2015: USD 575,000) - Small & Medium Enterprise Development Credit Authority (2007-2014: USD 9 million) 	
	<p>(Previous projects)</p> <ul style="list-style-type: none"> - Competitiveness Project (Promotion of FDI); in particular, in areas rather than TIDS (Technological Industrial Development Zones) (2007 - 2012) <p>(E.g. Provision of a subsidy in hiring local consultants, to enterprises which intend to invest in Macedonia)</p> <ul style="list-style-type: none"> - Macedonia Agribusiness Activity (International marketing, EU standards in agricultural products to farmers) (2006 - 2012) - Digital media promotion (e.g. promotion of clustering digital enterprises and promotion of investment in digital industry from foreign countries) 	
Other	(SECI)	

Donors	Activities for Private Sector Development (Overall)
(previous projects)	<ul style="list-style-type: none"> - Strengthening Entrepreneurship, Competitiveness and Innovation program (SECI): 2007-2009 funded by the British Government <p>(Main activities)</p> <ul style="list-style-type: none"> - Training to high school teachers (70) that can teach the importance of entrepreneurship to students - Training to university students to make them understand the importance of entrepreneurship (Skopje, Gevgelija, Struga, Veles) - Seminar arrangement to understand the importance of 'International Standards'

Remarks: The contents which are described are based on information from HP, obtained documents and interviews to institutions.

3.3.4 Local Consultants for Private Sector Development

(1) Conditions of local consultants for private sector development

In addition to major support institutions or donors as described, there exist local consultants as human resources in Macedonia. During the term of the study, the JICA expert conducted interviews with two local consultants among 230 ones who are registered EBRD's BAS project (Table 3-7).

It is clarified that local consultants have insufficient ability to implement practical consulting to SMEs and want to gain more practical knowledge for their consulting. Two interviews were insufficient. As the JICA expert conducted interviews with 10 local consultants in 2009, for your reference, the findings are summarized in Table 3-8.

Table 3-7 Local consultants who are registered to BAS project

Consultant	A consultant	B consultant
- Major Field of Consulting	- Agro-business (mainly international marketing)	- Agro-processing (Quality management, technology guidance, acquisition of certificates, marketing etc.)
- Years of experience	- Twelve years since 2000	- Six years since 2006
- Association	- No	• ECM, MMC, MCC
- Contents of consulting	<p>- 50%: Consulting for USAID project (promotion of international marketing)</p> <p>-20%: Role of a general secretary in Macedonian Association of Food processing (technical assistance for establishment of an</p>	-Almost 100%: Direct support to SMEs (clients: approximately 180 enterprises)

	<p>association and promotion of activities)</p> <p>- Others: Direct support to SMEs</p>	
- Constraints/Support needs	<p>- More capacity building on advanced practical international marketing in agro-processing</p> <p>- Upgrading of skills on management of professional associations</p>	- Gaining practical technology related to energy saving and how to decrease production cost in agro-processing sector
- Others	- Consulting fees: €150 per day for consulting in general	- Consulting fees: €100-300 per day for consulting in general

Table 3-8 Current Conditions of Local Consultants in Productivity Improvement (interviews in 2009).

No.	Major Activity Location	Major Field of Consulting	Qualifications/Work Experience	Constraints and Support of Local Consultants
1	Skopje	- Management, energy efficiency of enterprises (Mainly donor projects such as EU, SECI as a consultant)	- 17 years as a consultant - Total: 35 years of work experience, including private enterprises (construction, glass production) - Mainly engagement of donor projects such as EU, SECI	- Lack of practical knowledge in productivity improvement such as 5S, Kaizen, Lean production, etc. - Necessity of training programs in not only theoretical but also practical issues, to local consultants in productivity improvement because of insufficient knowledge and experience of them to support SMEs efficiently. (Existence of high potential support needs of SMEs in productivity improvement)
2	Skopje (60%)	- Issues related to electric engineering, energy efficiency of enterprises	- 10 years as a consultant (MA in electrical engineering and a completion of PhD program in electrical engineering) - Established a new consulting company (consulting and testing) in 2009. - Total: 24 years of work experience, including private enterprises - Donor projects: 10%	- Lack of practical knowledge in productivity improvement such as 5S, Kaizen, Lean manufacturing, etc. (A very limited number of consultants can provide SMEs with practical consulting). - Necessity of training programs in not only theoretical but also practical issues, to local consultants in productivity improvement because of insufficient knowledge and experience in them to support SMEs efficiently. (Theory + OJT training)
3	Skopje	- Management, project cycle management, energy efficiency of enterprises	- 9 years as a consultant (BA in mechanical engineering and MBA in Germany) - Total: 15 years of work experience, including private enterprises (metal processing) - 70%: donor projects	- There are potential support needs of SMEs in productivity improvement. Productivity improvement will bring about direct effects to SMEs. Therefore, a training program in not only theoretical but also practical issues, to local consultants in productivity improvement is essentially required
4	All area	- Regional development	- 8 years as a consultant (MA in electrical engineering) - Total: 17 years of work experience, including private enterprises (metal processing) - 100%: Donor projects	- Necessity of training programs in not only theoretical but also practical issues, to local consultants in productivity improvement (theory + OJT training)
5	Skopje	- Production management (production optimization, production planning) - Quality control (ISO9001) - Management (business planning, strategic planning) - Product development - Human resources development (including a reconstruction of an organization)	- 9 years as a consultant (BA in electrical engineering) - Total: 19 years of work experience, including private enterprises (petrochemical, chamber of commerce, etc.) - Almost : 100%: Direct consulting to SMEs	- Lack of ability to measure and evaluate the productivity in the manufacturing process - Lack of others issues: ① Factory management (quality management, primary quality management, QC process, QC-7TOOL), ②Production management (production management system, daily production management system), ③Safety/general environment (safety standards, general environment for work), ④ Innovations (productivity management) - Necessity of training programs in not only theoretical but also practical issues, to local consultants in productivity improvement (Theory + OJT training)
6	Skopje	- Marketing (export) - Product development - Human resources development	- 3 years as a consultant and staff of Textile Trade Association (BA in textile engineering) - Total: 14 years of work experience, including private enterprises (textile) - 100%: Donor projects	- Necessity of training programs in not only theoretical but also practical issues, to local consultants in productivity improvement (Theory + OJT training)
7	Skopje	·Management (business process management)) ·Marketing ·Quality Control (ISO, HACCP)	- 4 years as a consultant (MBA in 2005) - Total: 4 years of work experience as a consultant (After the completion of a business school in France, he established his company.)	- Lack of ability in the following issues ① Factory management (QC-7TOOL), ② Human resources development (training and education system) , ③Safety/general environment (safety standards, general environment for work), ④ Logistic management, ⑥Innovations (productivity management, standardization of operational time)

No.	Major Activity Location	Major Field of Consulting	Qualifications/Work Experience	Constraints and Support of Local Consultants
8	Skopje	<ul style="list-style-type: none"> • Management (business process management)) • Marketing • Quality control (ISO, HACCP) (mainly IT issues) 	<ul style="list-style-type: none"> - 4 years as a consultant - Total: 35 years of work experience in steel production, education, IT and auto parts companies 	<ul style="list-style-type: none"> - Lack of ability in the following issues <ul style="list-style-type: none"> ① Factory management (QC-7TOOL), ② Production management (production management system, daily production management system), ③ Safety/general environment (safety standards, general environment for work), ④ KAIZEN, ⑥ Innovations (standardization of operational time)
9	Kumanovo	<ul style="list-style-type: none"> - Management (Business planning, Financial planning) - Technology development - Quality management - Production management 	<ul style="list-style-type: none"> - 3 years as a consultant - More than 20 years of work experience, including private enterprises (agro processing) - 100%: SME Direct consulting to SMEs 	<ul style="list-style-type: none"> - Necessity of training programs in quality, production and human resource development
10	Ohrid	<ul style="list-style-type: none"> - HACCP - Management (Business planning, Strategic planning) - Other (study in support needs of SMEs, etc.) 	<ul style="list-style-type: none"> - 3.5 years as a consultant (MBA) - Total: 17.5 years of work experience, including enterprises (accounting) and as a lecturer at a university - 50%: Donor projects 	<ul style="list-style-type: none"> - Main consulting: HACCP (consultants must diversify fields of consulting to SMEs.) - Necessity of training programs in not only theoretical but also practical issues, to local consultants in productivity improvement (theory + OJT training)

3.3.5 SME Promotion Policy between Macedonia and Japan

(1) Comparison in SME promotion policy between Macedonia and Japan

The Ministry of Economy is a policy formulation institution, while various policy-implementation agencies also exist. Current conditions of SME promotion in Macedonia can be compared with those in Japan.

1) Current conditions of SME promotion in Japan

There exist approximately 4.2 million enterprises (2009) of which 99.3 % are classed as SMEs in Japan. SMEs generate 60% of GDP and 28.34 million (66%) employees out of total employment of 42.97 million¹. Under the Ministry of Economy, Trade and Industry, the SME Agency formulates policy for SME promotion, and the Organization for Small & Medium Enterprises and Regional Innovation in Japan (SMRJ) implements policies on the state level. On the other hand, on the local level, the SMEs technical assistance section and SME support center (as an implementation institution) are also established in each prefecture. Concerning private organizations, various chambers of commerce and industry in cooperation with local governments organise to provide various supports.

SME support is basically divided into areas, i.e. management support, financial support, commercial and local support and consulting & information provision (provision of technical and financial supports).

There are also financial institutions which specialize in providing financial access to SMEs. Besides private financial institutions, the Japan Finance Corporation, as a public institution takes responsibility for business loans to micro and small businesses and business start-ups and financial support by offering diverse services, which include loans and credit insurance with low interest rates.

In addition to above, the Credit Guarantee Corporation has the responsibility of guaranteeing SMEs that have no collateral. The government considers technical and financial supports as essential elements to SME promotion.

¹ http://www.chusho.meti.go.jp/koukai/chousa/chu_placement/index.htm

(Collaboration between technical and financial support to SMEs - example)

(Example 1 Financial assistance to small or micro enterprises – so-called Marukei seido)

- Under the scheme, small-sized enterprises with insufficient collateral or credit can borrow money without collateral and guarantees from Japan Finance Corporation if they have technical assistance from certified management advisors who belong to the Local Chamber of Commerce and Industry (Shoko-kai) and pass an examination. This financial scheme to support small enterprises is called 'Financing system for management reform of small enterprises' (Marukei seido). It forms collaboration between technical and financial support to SMEs.

(Conditions to apply for this financial scheme)

- 1) Size: Small enterprises with permanent employees of no more than 20 (no more than five in the commerce or service sectors)
- 2) Enterprises must have a consulting by a management advisor for more than six months by Chamber of Commerce and Industry (shoukoukaigisho) or local Chamber of Commerce and Industry (Shoko-kai) - Technical assistance
- 3) Full payment of tax
- 4) Continuous business in one place for at least one year
- 5) Enterprises and sectors which are defined under the scope of assistance

(Lending conditions)

Loans: Facilities or working capital

Limits: 15 million yen

Lending rates: normal - example

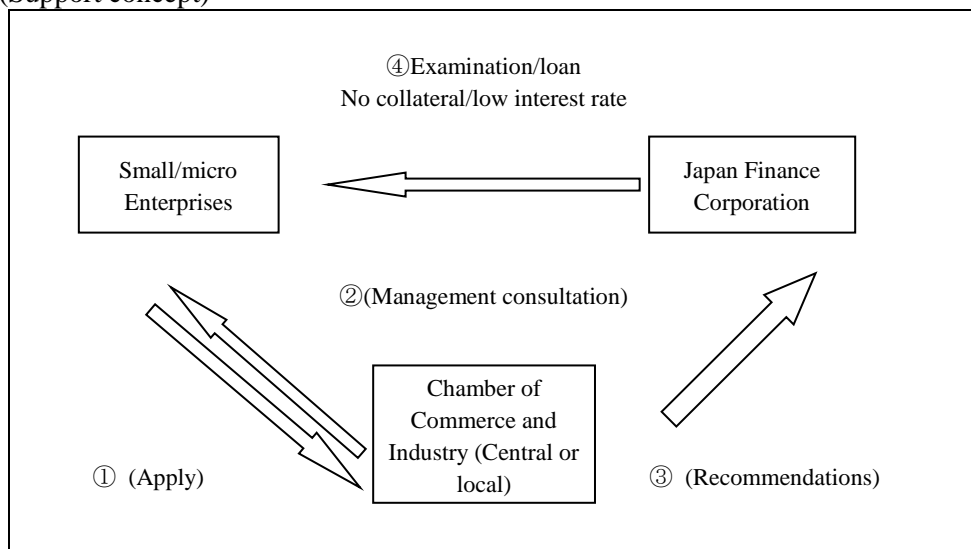
Basic: 1.35~3.90%、Special A 1.95~3.50%、Special B 0.70~3.25%、Special C 0.45~3.00%

Terms: Facilities no more than ten years (a grace period of one year)

Working capital no more than seven years (a grace period of two years)

Conditions: No collateral and guarantees

(Support concept)



(https://www.jfc.go.jp/n/finance/search/kaizen_m.html)

(Example 2 Financial assistance to entrepreneurs)

- Under the scheme, entrepreneurs with insufficient collateral or credit can borrow money without collateral and guarantees from Japan Finance Corporation if they pass an examination of business plan.

(Conditions to apply for this financial scheme)

- 1) Entrepreneurs who will start new business with employment creation
- 2) Enterprises that start new business to meet a variety of needs, with diversified technology and service
- 3) Newly established enterprises with no more than two times of tax payment and so on

(Lending conditions)

Loans: Facilities or working capital

Limits: 15 million yen

Interest rate : Primary rate + 1.65%

Terms: Facilities no more than ten years and working capital no more than five years (a grace period of six months)

Conditions: No collateral and guarantees

http://www.jfc.go.jp/n/finance/search/04_shinsogyo_m.html

In Japan, there exist various public and private institutions to support SMEs technically and financially. In Macedonia, although various BSOs (RESC, ESA, etc.) exist regionally, they are dependent on government or donor funds and the government itself limits support to SMEs because of budgetary constraints. In comparison between Macedonia and Japan, there are differences in supporting system on the state and regional level.

3.4 Constraints on Private Sector Development

3.4.1 Constraints on Private Sector Development (interviews)

Constraints of private sector development, which are clarified from interviews with various institutions (e.g. public and private support institutions, professional or industrial organizations, a university) as well as enterprises, are as follows (Table 3-9).

Table 3-9 Constraints on private sector development

Items	Constraints
Policy issues	- Insufficient contents of policies and insufficient implementation of policies
Implementation	- Insufficient capacity of institutions to implement policies - Sufficient budgets to implementation agencies are not allocated.
Technical issues (enterprise)	- Insufficient understanding of SMEs on importance of innovation (No introduction of new technology or new product development etc.) - Insufficient accumulation of technology in SMEs - Lack of well-trained and skilled practical worker in enterprises
Technical issues (government)	- Insufficient provision of comprehensive technical support - Insufficient support of technology and innovation - Insufficient linkages between universities and enterprises - Insufficient diffusion on importance of innovation to enterprises - Insufficient institutionalization among enterprises
Financial issues	- Insufficient financial access - No system of credit guarantee
Trade	- Insufficient promotion of trade
Infrastructure	- Insufficient arrangement of infrastructure
Clustering	- Insufficient formation of clusters in local areas
Public Private partnership	- Insufficient public private partnership (linkage between technology and business)
Others	- Lack of good business promoters - Lack of insufficient practical education in universities - Old management style of owners

3.4.2 Constraints and Support needs of SMEs (interviews)

The JICA expert conducted interviews with two SMEs and gauged support needs (to have concrete and practical technical assistance from international consultants) with a view to improving enterprises which have graduates trained HIDA (The Overseas Human Resources and Industry Development Association) in Japan² (Table 3-10).

Two interviews were insufficient. As the JICA expert conducted interviews with 29 SMEs on productivity issues in 2009. For your reference, the findings are summarized in Table 3-11.

² In March, 2012, the HIDA in Japan was established through consolidation of AOTS (Association for Overseas Technical Scholarship) and JODC (Japan Overseas Development Corporation).

Table 3-10 Constraints and support needs which SMEs have

Item	A enterprise	B enterprise
- Establishment	- 1948	- 1991
- No. of employees	- 55 persons	- 30 persons (Factory: 5 persons)
- Association	- ECM	- No
- Sector	- Manufacturing (Skopje)	- Manufacturing(Skopje)
- Annual sales	- €3Million in 2012	- N/A
- Products or service	- Transformer	- Lightening equipment or electric outlet etc.
- Ratio (Domestic: Overseas)	- 70% : 30%	- 70% : 30%
- Constraints and support needs	- The company tried to introduce KANBAN system that was elaborated by TOYOTA, but it is very difficult to introduce it; therefore, it wants to introduce lean management.	- Intervention by government is a crucial element of constraint.
- Anticipated JICA support	<ul style="list-style-type: none"> - The top of 'A enterprise' is a chairperson of HIDA (Macedonia) Alumni. - The enterprise desires the following technical assistance: <ul style="list-style-type: none"> - Strengthening of the manufacturing capability of the target enterprises through technical assistance by Japanese experts - Capacity building of local consultants in manufacturing sector; through OJT to local consultants - There are more than 200 people who belong to HIDA (Macedonia) Alumni. Among these 200 people, almost 100 people work for manufacturing enterprises. Among those 100 people, 50 work for approximately 25 enterprises that are very active (Metal electric sector, Agro-processing sector) - The alumni people of HIDA (Macedonia) have basic knowledge of Japanese culture, production and quality system which will lead to efficient technical assistance (technical concrete and practical technical assistance from international consultants) by JICA. - The HIDA (Macedonia) is considering the establishment of Training Center for Japanese manufacturing Methods in this year or next year. This activity may enhance JICA technical assistance. 	- Technical assistance which leads to strengthening of manufacturing
- Others	- Experience of technical assistance within a BAS project.	- No experience of donors' support

Table 3-11 Constraints and Support Needs which SMEs have, centring on Productivity Improvement (interviews in 2009)

No.	Enterprises	Constraints or Support Needs Canterring on Productivity Improvement	Location	Remarks
1	<ul style="list-style-type: none"> - Established: 1997 - No of employees: 80 - Sector: Manufacturing (plastic foil, box and recycling products, etc.) - Turnover: €1.5 Million (2008) - Domestic and international share: (Plastic foil, box): 70%/30% (Recycling products: 20-30%/70-80%) 	<ul style="list-style-type: none"> - Quality management (difficulty in managing a variety of plastic products) - Production management (production management system, daily production management system for recycling products) - Human resources development (training and education system) 	Bitola	<ul style="list-style-type: none"> - The company hired a local consultant, for acquisition of ISO certificate - The local consultant does not adequately satisfy support needs of SMEs.
2	<ul style="list-style-type: none"> - Established: 1995 - No of employees: 21 - Sector: Meat processing (ham) - Turnover: €1.0 Million (2008) - Domestic and international share: 100%/0% 	<ul style="list-style-type: none"> - Old type of equipment (including how to finance new equipment) 	Bitola	<ul style="list-style-type: none"> - A local consultant can provide SMEs with technical support in a business plan, or financing issues, but cannot provide concrete technical issues in productivity. - Necessity of capable local consultants in productivity improvement - Previously, the company hired an international consultant to train how to use machinery to workers.
3	<ul style="list-style-type: none"> - Established: 1946 - No of employees: 200 - Sector: Printing - Turnover: €10-11 million (2008) - Domestic and international share: 55-60/40-45% 	<ul style="list-style-type: none"> - Quality management (Lack of computer system : software) to manage and monitor a series of overall processes from material purchase to delivery to customers 	Bitola	<ul style="list-style-type: none"> - Previously the company hired an international consultant from Slovenia for an acquisition of ISO certificate.
4	<ul style="list-style-type: none"> - Established: 1997 - No of employees: 83 - Sector: Agro processing (juice) - Turnover: 500 Million Dinar - Domestic and international share: 60%/40% 	<ul style="list-style-type: none"> - Quality management (primary quality management, QC process, etc.) - Human resources development (multi-functional operation) - Productivity (automation) 	Gostivar	<ul style="list-style-type: none"> - Previously the company hired an international consultant from UK for acquisition of a British certificate. Next year, the company will hire a local consultant to have an ISO14001 certificate. - Insufficient capable local consultants in productivity improvement - Necessity of sufficient database of consultants in productivity improvement - Necessity of accreditation system for local consultants
5	<ul style="list-style-type: none"> - Established: 1990 - No of employees: 80 - Sector: Manufacturing (furniture production) - Turnover: €1.1 Million (2008) - Domestic and international share: 70%/30% 	<ul style="list-style-type: none"> - Quality management (primary quality management, QC process, etc.) - Production management (daily production management system) - Human resources development (multi-functional operation) - Material management - Work environment (5S, KAIZEN) - Facility and equipment (facility and equipment maintenance) 	Gostivar	<ul style="list-style-type: none"> - Previously, the company hired an international consultant through a donor project, but cancelled the contract because he could not satisfy our support needs. - Insufficient capable local consultants in productivity improvement - Necessity of sufficient database of consultants in productivity improvement - Necessity of accreditation system for local consultants
6	<ul style="list-style-type: none"> - Established: 2002 - No of employees: 62 - Sector: Construction (bricks, cement, etc.) - Turnover: N/A 	<ul style="list-style-type: none"> - Insufficient production 	Gostivar	

No.	Enterprises	Constraints or Support Needs Cantering on Productivity Improvement	Location	Remarks
	- Domestic and international share: 80%/20%			
7	<ul style="list-style-type: none"> - Established: 2008 - No of employees: 7 - Sector: Manufacturing (furniture production) - Turnover: N/A - Domestic and international share: 100% to 0% 	<ul style="list-style-type: none"> - Old type of equipment - Insufficient space to produce products 	Kumanovo	<ul style="list-style-type: none"> - Necessity of capable local consultants in productivity improvement - Necessity of sufficient database of consultants and information provision on them
8	<ul style="list-style-type: none"> - Established: 2003 - No of employees: 20 - Sector: Meat Processing - Turnover: 36 Million Dinar - Domestic and international share: 100% to 0% 	<ul style="list-style-type: none"> - Human resources development (training and education system) 	Kumanovo	<ul style="list-style-type: none"> - Insufficient capable local consultants in productivity improvement - Necessity of sufficient database of consultants and information provision on them
9	<ul style="list-style-type: none"> - Established: 1992 - No of employees: 34 - Sector: IT (Software development, training and consulting to SMEs) - Turnover: €605,000 (2008) - Domestic and international share: 90% to 10% 	<ul style="list-style-type: none"> - Production management (efficient production process) - Human resources development (training and education system) - Materials and inventory management 	Ohrid	<ul style="list-style-type: none"> - The company has supported 6-7 SMEs through the voucher scheme as a consultant.
10	<ul style="list-style-type: none"> - Established: 1995 - No of employees: 10 - Sector: Manufacturing (plastic auto parts) - Turnover: €300,000 (2008) - Domestic share: Almost 100% 	<ul style="list-style-type: none"> - Human resources development (Training and education system) - Safety/general environment - Productivity (Efficiency: How to produce products in the minimum time) 	Ohrid	<ul style="list-style-type: none"> - Previously, the company hired an international good consultant (His consulting fee was lower than that the local consultant requested.) - Necessity of capable local consultants in productivity improvement
11	<ul style="list-style-type: none"> - Established: 1990 - No of employees: 60 - Sector: Agro processing (flour and bread) - Turnover: €800,000 (2008) - Domestic and international share: 100 % to 0% 	<ul style="list-style-type: none"> - Quality management (difficulty in producing bread in the same quantity and with the same quality) - Human resources development (training and education system) 	Ohrid	<ul style="list-style-type: none"> - The company has hired a local consultant for HACCP issues. - The company will gain technical support from a local consultant in production management through the voucher scheme.
12	<ul style="list-style-type: none"> - Established: 2001 - No of employees: 60 (seasonal max 100) - Sector: Agro processing (confectionery) - Turnover: €1.5 Million (2008) - Domestic and international share: 50% to 50% 	<ul style="list-style-type: none"> - Production management (production management system, daily production management system) - Safety/general environment (Safety standards, general environment for work) <p>In particular, due to the seasonal factor of confectionary production, how to make an efficient daily production plan is one of the critical issues be considered.</p> <ul style="list-style-type: none"> - Quality management (lack of computer system : software) to manage and monitor a series of overall process from material purchase to delivery to customers - Insufficient information on consultants that the company needs 	Prelip	<ul style="list-style-type: none"> - The company hired an international consultant for two weeks through the support of SES (Senior Expert Service). - Previously, the company tried to hire a local consultant, but in vain due to the insufficient ability and the high consulting fee. - Necessity of sufficient database of consultants and information provision on them
13	<ul style="list-style-type: none"> - Established: 2005 - No of employees: 50 - Sector: Manufacturing (textiles: garments) - Turnover: €400,000 (2008) - Domestic and international share: 0% to 100% 	<ul style="list-style-type: none"> - Due to the global financial crisis of the world economy, production capacity exceeds the actual orders from customers. (Insufficient financing is the most important issue). 	Prelip	<ul style="list-style-type: none"> - Previously, the company hired a local consultant with experience in a large textile company for two years when the company was established.
14	<ul style="list-style-type: none"> - Established: 1970 - No of employees: 240 - Sector: Metal processing (construction materials, etc.) - Turnover: €5-6 Million (2008) 	<ul style="list-style-type: none"> - Quality management (Primary quality management, QC process, QC-7TOOL) - Production management (Daily production management system) - Human resources development (Training and education system) - Safety/general environment (Safety standards) 	Prelip	<ul style="list-style-type: none"> - The company hired a local consultant for human resource development in the short term. - A practical local consultant will be required.

No.	Enterprises	Constraints or Support Needs Cantering on Productivity Improvement	Location	Remarks
	- Domestic and international share: 70% to 30%	- Work environment (5S, KAIZEN) - Facility and equipment (Facility and equipment maintenance) - Productivity (Efficiency)		
15	- Established: 1997 - No of employees: 50 - Sector: Agro processing (ice cream) - Turnover: N/A - Domestic and international share: 0% to 30%	- Human resources development (Training and education system) - Old type of equipment - Insufficient technology	Prelip	
16	- Established: 1948 - No of employees: 62 - Sector: Manufacturing (transformers) - Turnover: €6.5 Million (2008) - Domestic and international share: 100% to 0%	- Human resources development (Training and education system) - Methodology of 'KAIZEN', 'KANBAN' must be introduced to the company - Necessity of training for multi-functional workers	Skopje	- The company introduced Japanese systems such as 5S through a dispatch of employees to Japanese training programs by the AOTS.
17	- Established: 1992 - No of employees: 20 - Sector: Metal processing (sophisticated machine parts, etc.) - Turnover: €680,000 (2008) - Domestic and international share: 10% to 90%	- How to promote technology innovation in the factory is the most crucial element in productivity improvement though there are issues to cope with in quality, production, human resource development, etc.	Skopje	
18	- Established: 1997 - No of employees: 22 - Sector: Metal processing (auto parts, etc.) - Turnover: €500,000 (2008) - Domestic and international share: 5% to 95%	- All kind of technical support in productivity improvement is required, including support for participation in seminars of productivity improvement, or dispatch of technical consultant to the company, etc.) - Arrangement of better financial access due to the required purchase of high price equipment - More information provision leading to a practical business-match with customers	Skopje	- The company hired a consultant, only for an acquisition of ISO 9001 certificate
19	- Established: 1980 - No of employees: 80 - Sector: Manufacturing (furniture production) - Turnover: €1.5 Million (2008) - Domestic and international share: 80% to 20%	- How to establish efficient system to manage a series of process (material purchase, production, inventory and Turnover) against a variety of products. (Practical support is essentially required: not theoretical) - How to measure productivity of customer made products - How to develop more capacity in middle management	Skopje	- The company has contracted with a local consultant for seven years. (It is very hard to find a practical local consultant like that.)
20	- Established: 2006 - No of employees: 150 - Sector: Manufacturing (auto parts) - Turnover: €15 Million (2008) - Domestic and international share: 0% to 100%	(The company is categorized as a large company.) - From a large enterprise point of view, suppliers (SMEs) must be aware of the importance of quality, cost and delivery. In particular, 'quality' is one of the most important elements in selecting suppliers. Improvement in quality is essentially required.	Skopje	- The company has experience of hiring a local consultant to train workers in cultural differences when it is established.
21	- Established: 1992 - No of employees: 20 (seasonal max 80) - Sector: Agro processing (pickles, chilli, etc.) - Turnover: €600,000-700,000 (2008) - Domestic and international share: 10% to 90%	- Marketing issues rather than productivity improvement	Strumica	- The company has hired a local consultant for HACCP issues.
22	- Established: 1994 - No of employees: 15 - Sector: Manufacturing (expanded styrol) - Turnover: €1.5 Million (2008) - Domestic and international share: 70% to 30%	- Quality management (Primary quality management, QC process) - Production management (Daily production management system) - Management of suppliers	Strumica	- The company has hired a local consultant for ISO 9000 issues. - Even if the company has a certificate of either ISO or CE marking, they are directly related to technical improvement in the company.

No.	Enterprises	Constraints or Support Needs Cantering on Productivity Improvement	Location	Remarks
23	<ul style="list-style-type: none"> - Established: 2009 - No of employees: 10 - Sector: Manufacturing (corrugated) - Turnover: N/A - Domestic and international share: 100% to 0% 	<ul style="list-style-type: none"> - Quality management (Primary quality management, QC process) 	Strumica	<ul style="list-style-type: none"> - This company was newly established three months ago.
24	<ul style="list-style-type: none"> - Established: 1997 - No of employees: 32 - Sector: Manufacturing (metal processing/furniture production: beds, chairs, etc.) - Turnover: €1.0Million (2008) - Domestic and international share: 40% to 60% 	<ul style="list-style-type: none"> - Quality management (all issues related to quality management should be improved) - Human resources development within the factory - Standardization (Operational standards exist within the company, but may not be on a level of international standards) - Productivity (Efficiency of production) - Insufficient organization of production process 	Tetovo	<ul style="list-style-type: none"> - Previously, the company hired a local consultant, but he could not satisfy our needs. (It is required to train a practical consultant.) - Previously, the company hired an international consultant for 3-4days through a donor project.
25	<ul style="list-style-type: none"> - Established: 2006 - No of employees: 20 - Sector: Construction materials (doors, kitchen systems, etc.) - Turnover: €500,000-600,000 (2008) - Domestic and international share: almost 100% of domestic share 	<ul style="list-style-type: none"> - Human resources development (The owner needs to take care of workers in details of production process.) - Material management (Insufficient management of suppliers) 	Tetovo	<ul style="list-style-type: none"> - The company hired a local consultant for five days to help workers use new machinery.
26	<ul style="list-style-type: none"> - Established: 1999 - No of employees: 16 - Sector: Construction materials (windows, doors, etc.) - Turnover: €500,000-600,000 (2008) - Domestic and international share: 40% to 60% 	<ul style="list-style-type: none"> - High ratio of wastes of inputs against outputs - Human resources development (Training and education system) 	Tetovo	
27	<ul style="list-style-type: none"> - Established: 1923 - No of employees: 200 - Sector: Agro processing (oil, margarine, etc.) - Turnover: €10 Million (2008) - Domestic and international share: 98% to2% 	<ul style="list-style-type: none"> - Human resources development (Training and education system) (Even if new rules within the company are established, it is difficult to make employees follow them) 	Veles	<ul style="list-style-type: none"> - Previously, the company gained technical support in managerial and financial issues from an international consultant through support under the EU/EBRD (TAM project)
28	<ul style="list-style-type: none"> - Established: 1927 - No of employees: 700 - Sector: Agro processing (flour, bread, meat, etc.) - Turnover: €30 Million (2008) - Domestic and international share: 90% to10% (The company is composed of 11 small companies) 	<ul style="list-style-type: none"> - Human resources development (Training and education system) (Even if new rules within the company are established, it is difficult to make employees follow them) 	Veles	<ul style="list-style-type: none"> - Previously, the company hired a local consultant, but cancelled the contract due to the insufficient ability. - Necessity of capable local consultants in productivity improvement (Many of consultants have only knowledge in not practical but theoretical issues in productivity improvement.)
29	<ul style="list-style-type: none"> - Established: 1995 - No of employees: 32 - Sector: Printing and packaging - Turnover: €5-6 Million (2008) - Domestic and international share: 80% to20% 	<ul style="list-style-type: none"> - Old type of equipment - Insufficient space to install equipment in the factory 	Veles	<ul style="list-style-type: none"> - The company hired an international consultant and local consultant for one month in 2004 and 2005 respectively, in order for workers to learn how to use new machinery.

4 JICA Technical Cooperation (draft)

4.1 Summary of the Study

(1) Macroeconomic conditions

The value of GDP of Macedonia with 2.15 million people was €7,300 million in 2011. Macedonia domestic markets are relatively smaller than other countries. With regard to sector-wise GDP share, the share of the industrial sector decreased from 44.5% (1990) to 27.8 % (2010). In particular, the share of manufacturing sector against the total GDP substantially decreased from 35.7% (1990) to 15.6% (2010) over the last two decades. However, it must be noticed that from the point of number of employed people, 100,878 employees are employed in the manufacturing sector, which has the biggest share among all sectors.

The trade structure can be defined by an excess of imports over exports in value terms. Meanwhile, the main export items are manufacturing products made from raw materials (steel, metal processing products, etc.) with a share of 25.93% against the total export value. If export items such as mechanical equipment or transportation equipment and others (e.g. textile) are included, the export share against the total value of exports amounts to 55.14%. Main import items are also manufacturing products (steel, metal processing products, machinery, etc.). Macedonia has a trade pattern whereby materials to produce manufactured goods and various items that are not produced in Macedonia are mostly imported, while manufactured goods that are made of imported materials are mainly exported.

It must surely be noted that the GDP share of the industrial sector has decreased while that of the service sector has increased, although it must be remembered that the main export items are still manufacturing products. Under the condition that domestic consumption, government expenditure, domestic investment are limited due to small markets, it is very important to increase exports to foreign markets with a view to increasing Macedonian GDP. On a macroeconomic level, strengthening competitiveness in manufacturing sector is essential.

Sectors such as agriculture and processing, auto-components, ICT sector and so on are regarded as major sectors in terms of evaluation of employment, potential growth, and GDP share. These sectors are targeted for foreign investment; in reality for 2012-15, 518 investment plans are registered, including 204 investment plans related to the automobile sector.

Various investigations are done by donors such as World Bank on the micro level of enterprises. Based on the study by World Bank, business environment of Macedonia is ranked as 23rd among 185 countries or areas in 2013. In particular, 'Trading across borders' dropped

from 67 to 76 while 'Access to electricity' rose from 121 to 101.

Based on the report of World Economic Forum 2012-13, 'The Global Competitiveness Report 2012–2013', Macedonia is ranked as 80th among 144 countries. Macedonian infrastructure, institutions, innovation, business specifications, market size, technology readiness, financial market development, labour market efficiency, goods market efficiency, higher education and training are lowly evaluated. In particular, innovation is ranked as 110 and business sophistication is ranked as 111 among 144 countries.

These conditions indicate that enterprises themselves still do not have sufficient competitiveness as shown in the fact that innovation is ranked as 110 and business specification is ranked as 111, while business environment is organized to a certain level. Technological accumulation is not sufficient in enterprises and they urgently require technical assistance.

(2) Basic framework of private sector development

In Macedonia, various policies are formulated such as National Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia 2010-2020, Revised National Development Strategy for Small and Medium-Sized Enterprises (2002 – 2013), Industrial Policy of Republic of Macedonia: 2009-2020, or Innovation Strategy for 2012-2020; however, the process to put these policies into implementation is not sufficiently established; therefore, it frequently takes much time to do.

These conditions may be caused because of insufficient capacity-building of staff at the concerned ministers or agencies etc.; in addition, insufficient allocation of budgets makes these institutions difficult to conduct their own project. In many cases, they are involved in some form of co-financing with donors for projects.

Through the study, it was found that various public and private support institutions (universities, Economic Chamber of Macedonia, Macedonian Chambers of Commerce, BSO (RESC, ESA, etc.) and private incubation centres are valuable resources with which the government can collaborate.

Donors such as Dutch embassy, EBRD, EU, GIZ, SDC and USAID are fund providers and implementers of supports for private sector development.

4.2 JICA's Technical Cooperation

4.2.1 Possibility of JICA's Technical Cooperation in Future

As described in the previous section, a variety of sectors exist; however, technical assistance to strengthen manufacturing sector, which is very essential to job creation, export and GDP expansion, is insufficiently provided by government or donors.

In particular, the Government of Macedonia regards technical assistance to not only strengthening the manufacturing sector but also promoting technology and innovation as essential. Moreover, technical assistance to investment promotion may also lead to promotion of technological transfer, job creation and export expansion. In the followings, some possibilities of JICA technical assistance in future are summarized (Table 4-1).

(Possibility of JICA's Technical Cooperation in Future)

- 1) Technical assistance for strengthening of manufacturing capability (technical cooperation project)
- 2) Technical assistance for technology and innovation (technical cooperation project)
- 3) Trade and investment promotion (dispatch of an expert)

Table 4-1 Possibility of JICA technical assistance in future (draft)

Field and Type of Assistance	Objectives and Contents of Assistance		Comments by the JICA Expert
1) Technical assistance for strengthening of manufacturing capability (technical cooperation project)	- Background and objectives of assistance	<p>(Background of the assistance)</p> <ul style="list-style-type: none"> - Since the time of the Socialist Federal Republic of Yugoslavia, Macedonian manufacturing sectors such as metal-processing or auto-components have been established and have still more growth potential; in reality, some European or American enterprises have established a company. - In the area of small and medium-sized enterprises, the manufacturing sector is the main source of employment (employing 21.98% of all workers) and it accounts for 25.93% of the value of exports, which are contributing to GDP growth. If export items such as mechanical equipment, transportation equipment and others (e.g. textile) are included in manufacturing sector, the export share against the total value of exports amounts to 55.14%. Concerning imports too, manufactured products account for the highest share in terms of value. - Recently, the number of FDI is increasing; in particular in manufacturing sector (The number of newly registered FDI for 2012-15 is expected to be 518, with automobile and related services accounting for 204). - The strengthening of manufacturing sector in Macedonia should be in line with the policies of the National Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia 2010-2020 - Employment promotion, Entrepreneurship promotion; Increase of SMEs, Decrease of informal labour force, the Industrial Policy of Republic of Macedonia 2009-2020 - Sustained manufacturing, Innovation Strategy of the Republic of Macedonia for 2012-2020- Capacity building of human resources for innovation and the Revised National Development Strategy for Small and Medium-Sized Enterprises 2007 (2002~2013)- Increase of SMEs, Employment promotion and Contribution to GDP by SMEs. <p>(Objectives of technical assistance)</p> <ul style="list-style-type: none"> - The objective is to strengthen SME support system through 1) developing capacity of local consultants, and 2) nurturing small and medium-sized enterprises, targeting the manufacturing sector 	<ul style="list-style-type: none"> - More than 200 people have received training at HIDA in Japan. They possess basic know-how in Japanese production and quality control techniques such as 5S and KAIZEN, etc. Therefore, JICA technical assistance and smooth work implementation are possible. Such technical assistance activities also entail cooperation with Japanese resources (HIDA) and JICA. - It is possible that the strengthening of these enterprises which already understand Japanese manufacturing philosophy, will lead to strengthening of business with Japanese affiliated enterprises in Europe if manufacturing capability of these enterprises are strengthened more. (If enterprises increase productivity, JICA may consider embarking on further technical assistance such as promotion of dialogue with, and provision of business matching opportunities for, Japanese-affiliated enterprises in Europe.)
	- Target, contents and period of assistance	<p>(Targets of Assistance)</p> <ul style="list-style-type: none"> - Local consultants - Mainly enterprises that employ alumni members (approximately 200) that have received training by HIDA (the Overseas Human Resources and Industry Development Association) in Japan (In addition to that, it is important that enterprises which belong to non-HIDA (Macedonia) associations such as ECM may be considered as a target group, in discussion with a C/P institution.) <p>- Currently, AOTS in Japan exists as the institution “HIDA”. In March, 2012, the HIDA was established through consolidation of AOTS (Association for Overseas Technical Scholarship) and JODC (Japan Overseas Development Corporation). Strictly speaking, the name of the alumni association in Macedonia is not HIDA (Macedonia) but still AOTS (Macedonia).</p> <p>(Contents of technical assistance)</p> <ol style="list-style-type: none"> 1) Development of system to promote capability of manufacturing sector (focusing on production and quality issues) 2) Capacity development of local consultants in manufacturing sector; training for local consultants selected from those registered on the APERM database, BAS projects or Management Consulting Association and so on) 3) Strengthening of the manufacturing capability of the target enterprises via technical assistance (as a pilot project) (It is necessary to carefully examine contents of individual guidance to enterprises by Japanese experts and local consultants; production control, quality control, 5S, KAIZEN, individual technology: press, resin moulding, etc.). 	
	- Beneficial effect	<ol style="list-style-type: none"> 1) Development of system to promote capability of manufacturing sector (focusing on production and quality issues) 2) Capacity development of local consultants in manufacturing sector 3) Strengthening of the manufacturing capability of the target enterprises 	

Field and Type of Assistance	Objectives and Contents of Assistance		Comments by the JICA Expert		
	- Projected C/P agency	- APERM - If the APERM acts as the C/P agency, it will be important for JICA trainees who have experience of training in Japan to be assigned in the APERM and for these human resources to be involved.	particular, this benefits the development of local consultants.		
	- Overlapping with activities of other donors	<p>(Consideration to EU project)</p> <p>- As described in ‘Donor support -EU’, supports ①Industrial issues: Review/evaluation/recommendations on current implementation of industrial policy and capacity development of human resources and ②Implementation of direct technical assistance to SMEs (50 SMEs) through local consultants other than international are under preparation. (Provision of technical assistance not only targets the manufacturing sector)</p> <p>If JICA embarks on technical assistance, it must carefully nominate a C/P agency, SMEs and local consultants to be developed so as not to duplicate any assistance of EU.</p> <p>For example, the scope of work of JICA technical assistance can be defined as follows:</p> <p>(Scope of JICA technical assistance)</p> <p>1) C/P: APERM.</p> <p>2) Provision of OJT to local consultants which are nominated by EU (BAS project), APERM or Management Consulting Association etc.</p> <p>3) Pilot project: SMEs to be supported - enterprises of HIDA (Macedonia) alumni or enterprises which EU recommends focusing on manufacturing sector</p> <p>(In addition to that, it is important that enterprises which belong to non-HIDA (Macedonia) associations such as ECM may be considered as a target group, in discussion with a C/P institution.)</p> <p>-If the OJT for local consultants in the BAS project is included in the technical assistance of JICA, this means that activities will be linked and coordinated with the EBRD and EU, which provide funding for the BAS project.</p> <p>(EBRD)</p> <p>- EBRD desires capacity development of local consultants, focusing on manufacturing sector through JICA’s project; in addition, EBRD has commented that capacity development of them through dispatch of JICA experts in manufacturing sector to BAS program can be considered.</p>			
2) Technical assistance for technology and innovation (technical cooperation project)	- Background and objectives of assistance	<p>(Background to the assistance)</p> <p>- In August 2012, the Office of the Vice Prime Minister in Charge of Economy sent a request to the Government of Japan for technical cooperation for the Technology and Innovation Agency of the Republic of Macedonia (TIARM). The request sought “improvement of organizational capacity concerning the local business environment and innovation,” specifically the following activities.</p> <p>(Contents of the request)</p> <ul style="list-style-type: none">- Support for compilation of an innovation strategy (F/S implementation, training for related personnel, support for compilation of policy concerning technology transfer to domestic enterprises)- Assistance for small and medium enterprises (support for compilation of export policy, promotion of exports to Japan, study of cases in countries with private sector in a similar stage of development as that in Macedonia) <p>However, the following points have been clarified as a result of the study.</p> <p>(Confirmation items)</p> <table><tr><td>1) The Technology and Innovation Agency of the Republic of Macedonia (TIARM) does not exist as an “agency.”</td></tr><tr><td>2) Instead, preparations are being advanced for it to exist as a “fund” and it is scheduled to be established in September 2013.</td></tr></table>	1) The Technology and Innovation Agency of the Republic of Macedonia (TIARM) does not exist as an “agency.”	2) Instead, preparations are being advanced for it to exist as a “fund” and it is scheduled to be established in September 2013.	<p>- TIARM does not exist. It is not an agency but a fund (it is scheduled to be established in September 2013).</p> <p>- If JICA conducts technical assistance, it will be possible to develop human resources that can assist in the type of general innovation, or human resources that can assist specific innovation in individual sectors, however, if technical assistance is implemented, an important point will concern how to configure the C/P agency.</p> <p>For example, if a university is adopted as the C/P agency, it is possible that activities will be suspended if the fund disappears, so there is no guarantee of autonomous development following the end of the technical cooperation project. If</p>
1) The Technology and Innovation Agency of the Republic of Macedonia (TIARM) does not exist as an “agency.”					
2) Instead, preparations are being advanced for it to exist as a “fund” and it is scheduled to be established in September 2013.					

Field and Type of Assistance	Objectives and Contents of Assistance		Comments by the JICA Expert
		<p>The responsible government office will be the Ministry of Education and Science (MoES) and it will advance innovation while receiving funding from donors. For example, it plans on deploying concrete activities concerning innovation based on funding from the WB and EU (IPAI)</p> <p>3) The government intends' to conduct the following activities via the fund (project base):</p> <ul style="list-style-type: none"> - Capacity development for innovation of enterprises - Assistance so that enterprises can accept new technologies - Development of infrastructure to enable business incubation, etc. <p>- In the 'Innovation Strategy 2012- 2020', capacity development for human resources in universities, vocational institutions or students, is more focused. If technical assistance by JICA is considered, an innovation project, connecting tertiary institutions such as universities and enterprises must be considered.</p> <p>(Objective of assistance)</p> <ul style="list-style-type: none"> - Promote innovation of enterprises and strengthen support functions for SMEs 	<p>assistance is implemented, it is necessary to implement it upon fully guaranteeing the autonomous development following the project.</p> <p>- Agency for Foreign Investments and Export Promotion of the Former Yugoslavian Republic of Macedonia is responsible for promoting advances (investment) by overseas enterprises, while APERM supports the development of small and medium enterprises. It is extremely important to coordinate and distinguish roles with such agencies.</p> <p>- It is important to understand the relationship between innovation and strengthening of manufacturing capacity. There are enterprises where strengthening of manufacturing capacity is achieved through conducting innovation.</p> <p>Therefore, when conducting technical assistance for innovation, it is necessary to clarify the difference between strengthening of manufacturing capacity and innovation before implementation.</p> <p>(Example)</p> <p>- Improvement and dissemination of production and quality management constitutes the strengthening of manufacturing capacity, however, the following activities are innovation.</p> <p>For example,</p> <p>①Disseminating techniques for introducing new general technologies (survey of new technologies: literature survey, research institutes possessing new technology, approach to contacts with enterprises, etc.), and actual introduction of technologies</p> <p>②Disseminating techniques for introducing new sector-specific technologies, and actual introduction of technologies</p> <p>- However, it will be necessary to closely monitor how funds provided by the World Bank and EU are utilized and to ensure that there is no overlapping of assistance.</p>
	- Target, contents and period of assistance	<p>(Targets of assistance)</p> <p>Universities etc. that can nurture human resources capable of promoting innovation in enterprises</p> <p>(Contents of technical assistance)</p> <p>1) First: develop human resources who can assist general innovation.</p> <p>2) Second: develop human resources who can assist concrete innovation in specific sectors (auto components, food processing, logistics, and textiles).</p> <p>(More specifically, it is necessary to develop human resources who are affiliated to universities and implement support for entrepreneurship and business deployment, and it is important to utilize such resources in implementing coaching for entrepreneurs and companies).</p> <p>- The following technical assistance can be proposed:</p> <p>① Development of system to promote innovation</p> <p>② i) Capacity development of human resources who can conduct guidance on the basic process of and approach to advancing innovation</p> <p>ii) Capacity development of human resources who can conduct guidance on innovation in specific sectors (auto-related, food processing, logistics, textiles, etc.)</p> <p>③Dissemination of the importance of innovation</p> <p>- Concerning ①, the main activity will be support for establishment of system that is equipped with coordination, information collection and dissemination of innovation.</p> <p>- In both ② i) and ii), capacity development of human resources who can implement assistance is the objective, however, concerning ii), since this entails nurturing human resources who can conduct assistance in specific selected sectors rather than all sectors, the activity should be treated as a pilot project.</p> <p>- In ③, it is important to recognize the importance of innovation through sharing success stories of the technical assistance for enterprises that was conducted in ②.</p>	
	- Beneficial effect	<p>1) Development of innovation system (coordination, information collection and innovation training functions and so on)</p> <p>2) Capacity development of human resources who are capable of implementing innovation assistance</p> <p>3) Diffusion of importance of innovation via sharing of innovation success stories</p>	

Field and Type of Assistance	Objectives and Contents of Assistance		Comments by the JICA Expert
	- Projected C/P agency	<ul style="list-style-type: none"> - Universities (Ss Cyril and Methodius University) - Ss Cyril and Methodius University has experience with many donor projects. 	
	- Overlapping with activities of other donors	<ul style="list-style-type: none"> - The Government of the Netherlands is promoting mergers between Dutch and Macedonian enterprises in an effort to transfer new technologies to Macedonia. EU is also similar activities. These activities also entail the promotion of innovation for Macedonian enterprises via technology transfer. <p>(Remarks)</p> <p>It is essential to avoid any duplication of work with other donors such as EU through investigating how funds are utilized.</p>	
3) Trade and investment promotion (dispatch of an expert)	- Background and objectives of assistance	<p>(Background of the assistance)</p> <ul style="list-style-type: none"> - The Government of Macedonia regards the promotion of trade and investment as an important tool for developing the private sector and implements activities accordingly. - Upon comparing the trade business environment order, according to the World Bank survey “Doing business in 2013 & 2012,” Macedonia dropped significantly from 67th (2012) to 76th (2013). - Meanwhile, although investment fell sharply in 2009 and 2010 due to the effects of the global financial crisis in 2009, the overall number of newly registered FDI cases scheduled for implementation between 2012~2015 is 518 with the main areas of investment being automobile-related (204), cement (140), glass (65), residences for habitation (60), services (25), food processing (15) and others (9), so the basic trend is one of recovery. - No Japanese enterprises have currently been invested in Macedonia <p>(Objectives of Assistance)</p> <ul style="list-style-type: none"> - Investment and trade promotion through improving the functions of the Agency for Foreign Investments and Export Promotion of the Former Yugoslavian Republic of Macedonia 	<ul style="list-style-type: none"> - So far JICA and GIZ have dispatched investment advisors. At such times, the HP has been reviewed, information on Macedonian enterprises has been updated, and participation in international exhibitions has been encouraged. However, Japanese enterprises have so far made no advances into the country. - It is currently difficult for Japanese enterprises to become established in Macedonia. Rather, it is more realistic to examine advances by Japanese-affiliated enterprises based in Europe. These technical assistance would be beneficial. - Under the current economic conditions of European countries, it is very important to consider the timing of dispatch of JICA expert, analysing the condition of Japanese-affiliated enterprises in Europe.
	- Target, contents and period of assistance	<p>(Targets of Assistance)</p> <ul style="list-style-type: none"> - Agency for Foreign Investments and Export Promotion of the Republic of Macedonia <p>(Contents of technical assistance)</p> <ol style="list-style-type: none"> ① Preparation of an investment and trade list of Japanese-affiliated enterprise in Europe (limited to the Balkans and Europe) ② Business matching with overseas enterprises <ul style="list-style-type: none"> - In particular, provision of dialogue and business matching opportunities with Japanese-affiliated enterprises in Europe 	
	- Beneficial effect	<ol style="list-style-type: none"> ① Building of data base on enterprises with investment and trade potential, targeting Japanese-affiliated enterprise in Europe ② Actual investment or trade promotion 	
	- Projected C/P agency	<ul style="list-style-type: none"> - Agency for Foreign Investments and Export Promotion of the Republic of Macedonia - Agency for Foreign Investments and Export Promotion of the Republic of Macedonia is a key agency to promote both investment and export promotion. - Agency for Foreign Investments and Export Promotion of the Former Yugoslavian Republic of Macedonia has so far accepted trade and investment advisors from JICA and GIZ. In that sense, there is no problem in it becoming the C/P agency. 	
	- Overlapping with activities of other donors	<ul style="list-style-type: none"> - There is no overlapping with the activities of other donors. 	

4.2.2 Framework of JICA's Technical Cooperation in Future (draft)

The basic framework (draft) of (1) Technical assistance for strengthening of manufacturing capability (technical cooperation project) and (2) Technical assistance for strengthening innovation (technical cooperation project) are as below (Table 4-2).

Table 4-2 Basic framework of technical cooperation project (draft)

Support filed		Technical assistance for strengthening of manufacturing capability (technical cooperation project)	Technical assistance for strengthening innovation (technical cooperation project)
1 Overall goals		- In Macedonia, business of SMEs will become more active.	- In Macedonia, business of SMEs will become more active.
2 Project purpose		- In Macedonia, system for providing technical assistance to SMEs, targeting manufacture sector will be strengthened in the C/P institution.	- In Macedonia, system for promoting innovation will be established in the C/P agency.
3 Output		1 Technical assistance system for strengthening of manufacturing capacity in SMEs will be strengthened. 2 Capacity of human resources (local consultants), who provide technical assistance for strengthening manufacturing capacity of SMEs, will be improved via OJT. 3 The importance of strengthening of manufacturing capacity in SMEs will be disseminated.	1 The setup for assisting promotion of innovation will be established as a system. 2 Innovation for enterprises will be promoted. 3The importance of innovation in SMEs will be disseminated.
4 Activities		1 Development of support system 1-1 Development of support system for strengthening of manufacturing capacity of SMEs (building of support system for supporting information collection and analysis, implementation of technical assistance, monitoring and evaluation, and planning of further assistance activities, including a manual draft) 1-2 Capacity development of C/P staff Technical assistance for capacity development of staff via OJT 2 Improvement in capacity to provide consulting services for strengthening of manufacturing capacity in SMEs 2-1 Grasping of current condition of assisting human resources (local consultants) in Macedonia 2-2 Grasping of current condition of issues and support needs in manufacturing sector of SMEs 2-3 Compilation of a program for capacity development of assisting human resources (local consultants) (including setting of the target level, planning of the target fields, contents of training, training period, training materials, training evaluation methods and feedback, selection of model enterprises for implementing OJT, and so on) 2-4 Implementation of a OJT training program to local consultants through nurturing SMEs (implementation of theoretical and OJT: a pilot project) Target enterprises: Mainly enterprises that employ alumni members that have received training by HIDA (the Overseas Human Resources and Industry Development Association) in Japan (In addition to that, enterprises which belong to non-HIDA (Macedonia) associations such as ECM may be considered as a target group, in discussion with a C/P institution.) 3 Diffusing the importance of strengthening manufacturing capacity in SMEs 3-1 Seminars to diffuse the importance of strengthening manufacturing capacity in SMEs (Seminars in collaboration with Professional or industrial organizations and so on)	1 Development of support system 1-1 Strengthening of coordination functions for disseminating innovation, strengthening of innovation education functions 1-2 Capacity development of staff to promote innovation Assistance for capacity development via OJT 1-3 Building of information on innovation 2 Nurturing of human resources to assist in promotion of innovation 2-1 Grasping of innovation needs among the target sectors and enterprises, and evaluation and uncovering of local human resources who can conduct technical assistance on innovation 2-2 Capacity development of local human resources who can conduct technical assistance on the basic process and approach to advancing general innovation 2-3 Capacity development of local human resources who can conduct technical assistance on innovation in specific sectors (E.g. Auto-related, food processing, logistics, textiles, etc.) 3 Training concerning importance of innovation 3-1 Staging of seminars concerning innovation (strengthening of collaboration with private management and industrial groups, etc.)
5 Input	Japan	- 35 M/M (A period of 1.5years is envisaged.) - Input (5 members) Project manager and support system I: 1 Technical guidance and consultant development (production management): 1 Technical guidance and consultant development (quality management): 1 Support system II: 1 Basic survey and work coordination: 1 Provision of training in Japan	- 35 M/M (A period of 1.5years is envisaged.) - Input (5 members) Project manager and innovation system I: 1 member Innovation guidance (general): 1 member Innovation guidance (specific sectors): 1 member Innovation system II: 1 member Basic survey and work coordination: 1 member Provision of training in Japan

	Macedonia	① Counterpart human resources, ② Office space, etc. (Always assign full-time employees who do not have other duties)	①Counterpart human resources, ②Office space, etc. (Always assign full-time employees who do not have other duties)
6 Important assumptions		①Policies for promoting SMEs are maintained. ②The role of the C/P agency is maintained. ③Appropriate human resources and budget are assigned in the C/P agency. (At least, one dedicated staff is assigned for a project.)	①Policies for promoting SMEs are maintained. ②The role of C/P agency is maintained. ③Appropriate human resources and budget are assigned in the C/P agency. (At least, one dedicated staff is assigned for a project.)
7 Duration		MM, 2014~MM, 2015 (1.5 years)	MM, 2014~MM, 2015 (1.5 years)

Appendix

Appendix 1 (Daily Study Schedule for 7th – 31st May, 2013)

Date	Day of week	Place	Meeting		
			Mr Kunihiro Konishi (JICA expert)	Mr Takafumi Ueda (Senior Advisor)	Mr Toshiya Abe Mr Toru Ogura (JICA Balkan)
May 7	Thu		Tokyo→Wien		
8	Wed	Serbia/ Skopje	JICA (Serbia) Wien→Beograd→Skopje		JICA (Serbia) Wien→Beograd→ Skopje
9	Thr	Skopje	JICA (Macedonia)		
		Skopje	Secretariat for European Affairs		
		Skopje	Cabinet of Deputy Prime Minister Office		
		Skopje	Agency for Promotion of Entrepreneurship (APERM)		
10	Fri	Skopje	Ministry of Economy (SME department)		Skopje→Beograd (Mr Abe)
		Skopje	Ministry of Economy (Industrial policy department)		
		Skopje	Agency for Investments & export promotion		
11	Sat	Skopje	Data analysis		Skopje→Beograd (Mr Ogura)
12	Sun	Skopje	Data analysis		
13	Mon	Skopje	DTIDZ		
		Skopje	JICA trainees		
		Skopje	USAID		
14	Tue	Skopje	Dutch embassy		
		Skopje	EU		
		Skopje	Macedonian Chamber of Commerce		
15	Wed	Skopje	Economic Chamber of Macedonia		
		Skopje	ICT Chamber of Commerce		
		Skopje	Local consultant		
16	Thr	Skopje	ISRM		
		Skopje	APERM		
17	Fri	Skopje	TTC (Ss Cyril and Methodius University)		
		Skopje	GIZ		
		Skopje	TAM/BAS project		
18	Sat	Skopje	Data analysis		
19	Sun	Skopje	Data analysis		
20	Mon	Skopje	HIDA alumni Member		
		Skopje	Municipality of Center Skopje		
21	Tue	Skopje	Local consultant		
		Skopje	Management Consulting Association		
		Skopje	TIDZ (Skopje)		
22	Wed	Tetovo	South East Europe University Technology park		

Date	Day of week	Place	Meeting		
			Mr Kunihiro Konishi (JICA expert)	Mr Takafumi Ueda (Senior Advisor)	Mr Toshiya Abe Mr Toru Ogura (JICA Balkan)
		Tetovo	ESA (Tetovo)		
23	Thr	Skopje	Ministry of Education and Science	Tokyo→Wien→ Serbia	Skopje (Mr. Ogura)
		Skopje	SME		
24	Fri	Skopje	SDC (National Holiday)	JICA (Serbia) Serbia→Skopje	Skopje→Serbia (Mr. Ogura)
25	Sat	Skopje	In-house discussion/Data analysis		
26	Sun	Skopje	In- house discussion/Data analysis		
27	Mon	Skopje	Ministry of Economy		
		Skopje	SME		
		Skopje	APERM		
28	Tue	Skopje	Secretariat for EU Integration		
		Skopje	Local consultant		
29	Wed	Skopje/ Beograd	Skopje→Beograd		
30	Thr	Wien	Beograd→Wien→		
31	Fri	Skopje	Tokyo		

Appendix 2 Bibliography

(Remarks): The items which are shaded in blue are not PDF but documents.

No.	Title	Publisher
- Donors		
1	Dutch Government Private sector support programs-instruments	Dutch Embassy
2	Business Advisory Service (BAS) FYR Macedonia, building stronger businesses	EBRD
3	Enterprise Growth Programme (EGP) FYR Macedonia 2012	EBRD
4	FYR Macedonia April 2012	EBRD
5	Small Business Support (SBS)	EBRD
6	Strategy for the former Yugoslav Republic of Macedonia 2010-2013	EBRD
7	COMMISSION STAFF WORKING DOCUMENT THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA 2012 PROGRESS REPORT accompanying the document COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL Enlargement Strategy and Main Challenges 2012-2013	EC
8	COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL Enlargement Strategy and Main Challenges 2012-2013	EC
9	COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE EUROPEAN PARLIAMENT, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS “Think Small First” A “Small Business Act” for Europe	EC
10	EU Annex Instruments for Pre-Accession (IPA) Multi-annual Indicative Planning Document (MIPD) 2011-13 the former Yugoslav Republic of Macedonia	EU
11	EU and Macedonia Trade (2007-2011)	EU
12	European Charter for Small enterprises	EU
13	FYR MACEDONIA EU BILATERAL TRADE AND TRADE WITH THE WORLD 29-Nov-12	EU
14	Small Enterprise Development in the Republic of Macedonia An Overview February, 2007	EU
15	Export Promotion Strategy for the Macedonian Software and IT Services Industry, January 2010	GIZ
16	IMF Executive Board Concludes 2011 Article IV Consulting with Former Yugoslav Republic of Macedonia Public Information Notice (PIN) No. 12/58 June 8, 2012 (http://www.imf.org/external/np/sec/pn/2012/pn1258.htm)	IMF

No.	Title	Publisher
17	World Economic Outlook Update 2012	IMF
18	JICA trainees –training materials	JICA
19	Production management (Short dispatch of JICA expert) 2010 (in Japanese)	JICA
20	A project formulation study for improvement of SME support II, 2009 (in Japanese)	JICA
21	A project formulation study for improvement of SME support I, 2009 (in Japanese)	JICA
22	SME promotion; instruction on constraints (in Japanese)	JICA
23	Donor Mapping Database June 2012 OECD for Macedonia	OECD
24	SME Policy Index report Western Balkans and Turkey 2012	OECD
25	Swiss Cooperation in Macedonia	SDC
26	The Swiss Cooperation Strategy Macedonia 2013-2016	SDC
27	Investment Policy Review The former Yugoslav Republic of Macedonia 2012	UN
28	AgBiz Program	USAID
29	A Rapid Assessment of the Enterprise Development Support Framework and Preliminary Design for a Proposed Enterprise Development Project in the Republic of Macedonia Carried out under the FIELD-Support Leader with Associates Cooperative Agreement	USAID
30	Business Without Borders Project	USAID
31	Industrial Management Project	USAID
32	Investment Development and Export Advancement Support (IDEAS) Project	USAID
33	Microfinance Development Credit Authority (DCA)	USAID
34	Micro and Small Enterprises Project	USAID
35	Policy Paper Unique value proposition for the Macedonian software and IT service industry Report, August 2012, Version 2.0, Prepared by: Claus Traeger	USAID
36	Project for Microenterprise Access to Public Procurement	USAID
37	Small Business Expansion Project	USAID
38	Small & Medium Enterprise Development Credit Authority (SME DCA)	USAID
39	USAID/Macedonia Strategic Plan Summary 2011 – 2015 Skopje, Macedonia	USAID
40	Doing business in 2013	WB
41	Doing business in 2012	WB

No.	Title	Publisher
42	FYR Macedonia at a glance	WB
43	World Development Indicator 2012	WB
44	Innovation Infrastructures The Former Yugoslav Republic of Macedonia	WBC
45	World Economic Forum Insight report The Global Competitiveness Report 2012–2013	World Economic forum
- Public institutions		
46	National Strategy on Alleviation of Poverty and Social Exclusion in the Republic of Macedonia 2010-2020	Government of Macedonia
47	(1) Agriculture and agro-processing Industry in the Republic of Macedonia (2) Automotive Components Sector in the Republic of Macedonia (3) Information and Communication Technology Sector	Agency for Investment and Export Promotion
48	PROGRAMME for Support of Entrepreneurship, Competitiveness and Innovation at the Small and Medium Enterprises in 2013	APERM
49	Industrial Policy of Republic of Macedonia: 2009-2020	MoE
50	Mission of Ministry of Economy	MoE
51	Organizational chart	MoE
52	Programme for the Development of Entrepreneurship, Competitiveness and Innovation of the Small and Medium Enterprises (2007-2010)	MoE
53	Revised National Development Strategy for Small and Medium-Sized Enterprises 2007 (2002 –2013)	MoE
54	Short Summary of the National Self-assessment Report regarding the European Charter for Small Enterprises Draft version (Republic of Macedonia 2008)	MoE
55	Pre-accession Economic programme 2013-2015 Macroeconomic trends, Public Finances and Structural Reforms	MoF
56	Contents of the innovation strategy (action plan)	MoES
57	Draft Law on innovation activities (2013)	MoES
58	Innovation Strategy of the Republic of Macedonia for 2012-2020	MoES
59	Strategy for vocational education and training in a lifelong learning context 2013 – 2020 and Action plan	MoES
60	Basic Economic data (http://www.nbrm.mk/default-en.asp?ItemID=89A26FA4B8AA8F4CA6CF243F984FF307)	NBRM
61	Balance of Payment 1998-2012	NBRM
62	External Statistics foreign trade – Export and imports	NBRM

No.	Title	Publisher
	(http://www.nbrm.mk/default-en.asp?ItemID=EA9313A61C028F44B00B681EF302F59D)	
63	Monthly Information 11/2012	NBRM
64	SEEU Tech Park - the Path of New Ideas	South East Europe University
65	Current situation of Business Tendency in Manufacturing Industry February 2012 – February 2013	SSO
66	Gross domestic product in the Republic of Macedonia, by regions, 2010 (http://www.stat.gov.mk/PrikaziSoopstenie_en.aspx?rbtxt=36)	SSO
67	Industry 20065-2011	SSO
68	Macedonia in figures in 2012	SSO
69	Monthly Statistical Bulletin 2013 No. 1.2.13.02 2013	SSO
70	Statistical Yearbook of the Republic of Macedonia 2012	SSO
71	Law on technological industrial development zones	TDITZ
- Others		
72	Deloitte International Tax FYR Macedonia Highlights 2013	Deloitte
73	Review - Laws, technologies, tenders, offers (Number 15) April 2013	ECM
74	Enterprise Support Agency Tetovo Your signpost to successful business	ESA (Tetovo)
75	Pamphlet (First Technology Solutions) IT company	First Technology Solutions
76	Investment Macedonia 2011	KPMG
77	Pamphlet (Rado-koncar) – Manufacturing company	RADO-Koncar
78	Guide book of SME policy implementation 2012 in Japanese	SMRJ
79	Prefectural population (1920-2011)	Ministry of Public Management, Home Affairs, Posts and Telecommunications (Statistical Bureau)

No.	Title	Publisher
80	System of Prefectural Accounts (2010) - 29 th May, 2013	Cabinet Office
- Major Donor HP		
	Government of the Netherlands (http://macedonia.nlembassy.org/)	Dutch Embassy
	EBRD (http://www.ebrd.com/pages/country/fyrmacedonia.shtml)	EBRD
	EU (http://eeas.europa.eu/delegations/the_former_yugoslav_republic_of_macedonia/index_en.htm)	EU
	GIZ (http://www.giz.de/en/html/worldwide.html)	GIZ
	SDC (http://www.swiss-cooperation.admin.ch/macedonia/)	SDC
	USAID (http://macedonia.usaid.gov/en/index.html)	USAID

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