

SMALL AND MEDIUM-SIZED ENTERPRISES

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I. SME POLICY

1. Please provide us with the official definition(s) currently applied in your country for SMEs.

In the Republic of Macedonia, the SMEs are defined in the Company Law enacted in 2004 ("Official Gazette of RM" No. 28/04).

A novelty in the Company Law is the introduction of the term micro-trader.

According to the provisions of the Law:

- **Micro size commercial entity** shall be a commercial entity that, in each of the last two accounting years, or in the first year of its operations, has met the first criterion and at least one of the second and the third of the following criteria:
 - 1) the average number of employees, based on working hours, is up to 10 employees; and
 - 2) the gross annual revenues acquired from any source do not exceed 500.000 EUR in MKD equivalent;
 - 3) not more than 80% of the gross revenues of the commercial entity to be acquired from one client/consumer from an individual, who is related to this client/consumer;
 - 4) all rights to participate in the micro-company to be owned by not more than two natural persons.
- **Small size commercial entity** shall be a commercial entity that, in each of the last two accounting years, or in the first year of its operations, has met the first criterion and at least one of the second and the third of the following criteria:
 - 1) the average number of employees, based on working hours, is up to 50 employees; and
 - 2) the annual revenues are less than 2.000.000 EUR in MKD equivalent, and the total turnover is less than 2.000.000 EUR in MKD equivalent, or
 - 3) the average value (at the beginning and at the end of the accounting year) of the total assets is less than 2.000.000 EUR in MKD equivalent.
- **Medium size commercial entity** shall be a commercial entity that, in each of the last two accounting years, or in the first year of operations, has met the first criterion and at least one of the second and third of the following criteria:
 - 1) the average number of employees, based on working hours, is up to 250 employees; and
 - 2) the annual revenues are less than Euro 10.000.000 EUR in MKD equivalent;
 - 3) the average value (at the beginning and at the end of the accounting year) of the total assets is less than 11.000.000 EUR in MKD equivalent.

2. What is the share of micro (up to 10 employees), small (up to 50) and medium-sized companies (up to 250 employees) in the national economy in terms of GDP, employment and export?

According to the data of the State Statistical Office, the share of small and medium size enterprises is 99.18% in the number of companies in 2003. SMEs participate with 76.59% of the total number of employees. Participation in the Gross Domestic Product amounts at 69.1%, while SMEs participated with 52.8% in 2003 exports.

Share of micro, small and medium-sized companies in the national economy in terms of number of companies employment and GDP					
Enterprises	Number	Share in number (%)	Employees	Share in employees (%)	Share in Gross Domestic Product (%)
Small	55.267	98,34	269.583	58,41	50,7
Medium	475	0,84	83.917	18,18	18,4
Total SME	55.742	99,18	353.500	76,59	69,1
Large	459	0,82	108.060	23,41	30,9
Total	56.201	100,00	461.560	100,0	100,0
Source: State Statistical Office – Situation 2003					

Share of micro, small and medium-sized companies in the national economy in terms of export				
Enterprises	Number of enterprises	Thousands in US\$	Thousands in Euro	Share
Large	93	580.661	511.853	42,5
Medium	195	177.567	156.546	13,0
Small	1.886	542.486	479.259	39,8
Undistributed	312	62.538	56.155	4,7
Total	2.486	1.363.252	1.203.813	100,0
Source: State Statistical Office- Situation 2003				

Data for micro enterprises (up to 10 employees) are still not processed, and they are included in the small-sized enterprises (up to 50 employees).

For more detailed information regarding these indicators, read answers to questions in chapter [15 | 1 | 1](#), [15 | 1 | 2](#), [15 | 1 | 3](#) and [15 | 1 | 4](#).

3. Is there a framework policy paper that defines the government's approach and policy towards enterprises/SMEs? Specify the status of this document and provide the key elements of the government's SME policy. If it is not the case, which documents can be considered reference documents for understanding the government's policy in the enterprise sector?

At its 56th session, held on 30.07.2002, the Government of the Republic of Macedonia adopted the National Strategy for Development of Small and Medium Enterprises (the Strategy), see [16 Annex 01](#). This is a strategic document, which refers to a 10-year period (2002-2012). The Strategy sets the strategic goals, measures and activities that should be implemented, as well as the authorities responsible for the Strategy's implementation.

The basic objectives of the Strategy are the following:

1. Growth of the Gross Domestic Product;
2. Increase of employment.

These objectives will be implemented through measures aimed at supporting and encouraging the:

- Development of transparent and fair business environment;
- Development of private ownership, competitiveness and entrepreneurship;
- Development of management capacities;
- Increase of export activities of small and medium enterprises;
- Introduction and transfer of new technologies;
- Stimulation of investment in SMEs;
- Integration of the small businesses in the European Union business flows;
- More comprehensive Public-Private dialogue.

The Strategy envisages the following priority activities for the implementation of the goals:

- Improvement of the legal framework;
- Simplification of the administrative procedures;
- Improvement of the financial services for SMEs;
- Improvement of the business development services for SMEs;
- Integration of SMEs on the regional and global market.

During the EU Thessalonica Summit in June 2003, Republic of Macedonia has adopted the European Charter for Small Enterprises (the Charter). With the adoption of the Charter, the Republic of Macedonia committed itself to make permanent progress in the areas included within the Charter, as well as to cooperate with the other countries who signed the Charter in the implementation of the objectives, evaluation of the progress and exchange of best experiences and practices. The progress will be monitored through the regular annual reports consisted of assessment of the current progress and recommendation for achieving the future development.

The Republic of Macedonia has prepared two national reports for 2003 and 2004.

4. Has the government developed a specific SME strategy/action plan? Please describe its status, period and main points of action. Has an evaluation taken place – if so provide the main findings. Are evaluations planned? Which stakeholders, if any, have been involved/consulted in the design of this strategy?

The National Strategy for Development of SMEs was the basis for preparation of the Program of Measures and Activities for Promotion of Entrepreneurship and Creation of Competitiveness of the Small and Medium-Sized Enterprises in the Republic of Macedonia (2003-2007) (the Program), see [16 Annex 02](#). The Program was adopted at the session of the Government of the Republic of Macedonia, held on 23.01.2003. The Program refers to a 4-year period, and basically, is a plan of activities for implementation of the objectives envisaged in the Strategy and the European Charter for Small Enterprises.

The program focuses on 5 main areas/priorities:

- Creation of institutional infrastructure for promotion of entrepreneurship and competitiveness;
- Building of a favourable economic environment and degree of economic freedoms, in accordance with the current development stage of economy – legislation and conditions for start up and performing business activity;
- Promotion of entrepreneurship and non-financial forms for support of entrepreneurship;
- Financial forms of support for the entrepreneurship development;
- Program for creation of competitiveness.

The Program determines specific projects (that should provide financial and non-financial support for SMEs), which would be co-financed by the Government of the Republic of Macedonia, and refer to the abovementioned areas of activities.

On the basis of this Program, the Government adopts annual financial programs, which regulate the purpose of funds for SME support ("Official Gazette of RM" N. 46/03 and 12/04). The projects regulated in these programs are realized through the Agency for Promotion of Entrepreneurship, which develops the projects that are realized through the network of regional centres by awarding tenders.

These funds are provided annually in the Budget of the Republic of Macedonia, and present a clear signal to the donors on the gravity of the Government's commitment to support SMEs.

The first Annual Financial Program for entrepreneurship support and stimulating of foreign direct investments was adopted at the Government's session on 30.06. 2003, the second Programme for 2004 was adopted on 01.03.2004, while the 2005 Program is under preparation.

The Ministry of Economy has developed a monitoring mechanism for the Program. The key findings on the situation in 2004 are as follows:

1. Priority 1. Creation of institutional infrastructure for promotion of entrepreneurship and competitiveness
 - The National Entrepreneurship and Competitiveness Council for was established;
 - Technical assistance financed by EU was provided to strengthen the capacity of the SME Department within the Ministry of Economy;
 - The Agency for Promotion of Entrepreneurship (APE) was established according to the provisions of the Law on establishing the Agency for Promotion of Entrepreneurship of the Republic of Macedonia ("Official Gazette of RM" N. 60/03);
 - APE cooperates on regular basis with the regional and local organisations for entrepreneurship promotion via financing of their projects;
 - The development of the network of centers for business support to entrepreneurs on local level with the USAID financial support is starting. It is expected that the capacity of these centers will be strengthened with the transfer of competencies of the local self government units, after completion of the local elections in March 2005;
 - The increase of the number of the business incubators is enabled by signing Memorandum of Understanding between the Ministry of Economy and SINTEF for support of one project for young entrepreneurs in establishing IT incubators;
 - The Euro Info Correspondence Center was established with the support of the project financed by EU;
 - The consultancy network is used in the implementation of projects of regional NEPA, ESA and PREDA centers.
2. Priority 2. Building of a favourable economic environment and level of economic freedoms, in accordance with the current development stage of economy – legislation and conditions for start up and performing economic activity
 - The adopted Company Law simplifies the existing conditions for company registration. Two bylaws are set to be enacted with this Law that in the future will regulate the functioning of the one-stop-shop.
 - A list has been prepared for the whole legislation in force that need to be revised and amended in order to simplify the conditions and procedures of SME registration and functioning.
3. Priority 3. Entrepreneurship promotion and non-financial forms for support of entrepreneurship
 - Chambers (Union of Independent Chambers of Commerce) and other associations are established that would stimulate the process of business matching and SMEs associating;
 - Ministry of Economy and European Agency for Reconstruction are negotiating to launch a project on business portals for export oriented SMEs;
 - The preparations on introducing the voucher system are underway. The concept of the system will be implemented during 2005 according to the obligations deriving from the Charter.
4. Priority 4. Financial forms of support for the entrepreneurship development.
 - The new EBRD loan will provide special component for credit line management aimed at introducing conditions and broadening the scope of the existing and supply of new financial products;
 - A concept for amending the Law on Leasing is prepared;
 - A concept for Public Guarantee Fund was prepared with regards to the development of new financial products and programmes;
 - A concept for establishing of Credit Rating Agency is prepared;
 - A brochure The Entrepreneurship Support in the Republic of Macedonia was published in order to help the access of SMEs towards the sources of financing.
5. Priority 5. Program for creation of competitiveness
 - Implementation of IT programme for entrepreneurship support is realised through four centres of technology transfer with GTZ support;

- Vertical connection of the enterprises following the concept of clustering is being realized by the five clusters financed by USAID

The basic quantitative indicators for evaluation of the success of the Program are: the increase of the volume of private investments in the SME sector, the number of new entrepreneurs, the number of supported and successful projects, the number of created and sustained jobs, and the effects on the increase of export. Apart of the aforementioned quantitative indicators, the results of the entire process of raising the entrepreneurship and business culture will also be evaluated, as contribution to the overall improvement of the level of development of the country. Such evaluation of the Program is planned during 2005.

Furthermore, the Government adopted an Action Plan for European Partnership, with a special part dedicated to implementation of SME priorities.

Besides the Ministry of Economy, other state institutions were involved when drafting the Program such as:

- Macedonian Chamber of Commerce;
- Artisans Associations;
- Regional centres and Entrepreneurship Promotion Agencies;
- NGOs;
- Representatives of foreign donors (SEED, USAID, World Bank, EBRD, EAR, UNDP);
- Private consultants;
- Entrepreneurs.

5. Please estimate the amount of funding made available for SMEs through the national government and other donors (EU, international/bilateral donors).

The Government of the Republic of Macedonia allocated funds in the amount of approximately 20 million MKD in 2004, intended for the activities of the Agency for Promotion of Entrepreneurship, as well as for co-financing of projects for non-financial support of SMEs. For 2005, there is also an allocation of 20 million MKD within the Budget.

There are several credit lines of international financial institutions and governments of individual countries intended for lending to SMEs.

No.	Donor Credit Line	Amount in million EUR	Outstanding amount in mil. EUR as per 31.12.2003
1.	Credit Line of Kreditanstalt fuer Wiederaufbau (KfW)	6,5	2,8
2.	Credit line for export promotion, administrated by the Macedonian Bank for Development Promotion	The overall credit potential of the Bank	10,8
3.	Commodity Credit Line from the Government of Italy	12,7	3,3
4.	German credit line – KfW	15	13,5
5.	German-Macedonian Fund - DEG Credit line	5,1	1,1
6.	Credit line of the Macedonian Enterprise Development Foundation financed by Kingdom of Netherlands	6,2	5,0
7.	Foundation Open Society Institute Credit Line for Development of Agriculture	0,5	0,7
8.	International Foundation for Agriculture Development (IFAD I)	6,5	2,2
9.	International Foundation for Agriculture Development (IFAD II)	5,8	0,5
10.	APEX Global Loan from the European Investment Bank	16,0	1,8
11.	PHARE Credit Line	10,3	7,7
12.	The SME Commercial Finance Fund credit line	1,2	0,6
13.	Foundation Open Society Institute credit Line for Current Assets Procurement	0,3	0,2
Approved in 2004			
14.	EBRD/loan Tutunska Banka Export&Credit Bank	20 5	20 5
Source: Ministry of Economy, 31.12.2003			

These funds are realised through the commercial banks.

A number of projects by foreign donors are being realised, which refer to SME support through providing financial and non-financial services.

Financial services		
Donor	Project name	In million
USAID	a) Fund for SME financing	2,94 \$
	b) Project for micro financing – savings bank "Moznosti"	7,3 \$
	c) Capital Fund – SEAF	5,0 \$
	d) Savings bank "FULM"	4,4 \$
Netherlands	a) PSO Business to Business (1998-2003)- 11 ongoing projects	7,2 EUR
	b) Guaranty fund through Macedonian Enterprise Development Foundation	0,5 EUR
	c) Support of Pro-Credit Bank	5,5 EUR
Sweden	Guaranties for SMEs	0,88 EUR
	ProCredit Bank	
	a) Germany – KfW	1,25 EUR
	b) IFC – International Financial Corporation	0,95 EUR
	c) EBRD	1,25 EUR
	d) Germany - IMI	1,55 EUR
Source: Action Plan for European Partnership – Sector for European Integration, 2004		

Non-financial services		
Donor	Project name	in million EUR
Phare 2000	Reform of banking sector	0,96
CARDS 2001	a) Policy support for Ministry of Economy for SME development (stage 1)	0,8
	b) Technical support for development of national institutes for standardisation, metrology, accreditation and quality	1,0
CARDS 2002	a) Design and financing of European Info Correspondent Centre (EICC)	0,5
	b) Human Resources Development Fund in enterprises (stage 1)	1,0
CARDS 2003	a) Technical support for establishment of European Business Association	0,2
	b) Human Resources Development Fund in enterprises - HRDF (stage 2)	1,0
	c) Micro-credit line for SME (study for re-designing of micro-credit line)	0,09
	d) Procurement of equipment for development of national institutes for standardisation, metrology, accreditation and quality	2,75
CARDS 2004	a) Policy support for Ministry of Economy for SME support (stage 2)	1,0
	b) Cooperation with EBRD – credit line management	0,5
CARDS 2005/6	a) Investment climate	8,1-9,9
USAID	a) Project for assistance to artisans	2,1 \$
	b) Development of broiler industry	0,27 \$
	c) Macedonian Competitiveness Activity	11,7 \$
	d) Horizons	-
Netherlands	a) Non-financial services for SMEs through Macedonian Enterprise Development Foundation	0,77
Switzerland	Business Centre for SME support in Prilep region PREDA (0,59 Swiss francs)	0,59
Sweden	IFC-SEED Southeast Europe Enterprise Development	2,2
Germany	Bank for micro-financing – ProCredit Bank	1,5
	GTZ Private Sector Support	3,2
	GTZ Agro-Promotion Project	2,26
	GTZ Technology Transfer Project	1,3
	GTZ Artisan Support project	-
	GTZ Promotion of Foreign Direct Investments	0,25
	DMWV Macedonian-German Business Association	-
	GTZ Support to vocational high school education in technical professions	6,2
	GTZ Legislation Approximation	1,25
	IFAD 2 Part for non-financial services	1,1
Source: Action Plan for European Partnership – Sector for European Integration, 2004		

6. Is there a specific legal framework for cooperatives, mutualities and foundations? Please explain.

In the Republic of Macedonia, there is a special legal framework for cooperatives, mutualities and foundations.

The Law on Cooperatives ("Official Gazette of RM" No. 54/02) regulates the conditions, manner and procedure for establishment, registration, activities, supervision and cessation of cooperatives. This is a general law, which refers to all cooperatives, except in the case of banking and insurance, as well as operations mentioned in the Law that prohibit the establishment of cooperatives.

The Law on Civil Associations and Foundations ("Official Gazette of RM" No. 31/98) regulates the manner and conditions, as well as the procedure for establishment, registration, activities and cessation of civic associations and foundations.

The new draft Law on Civil Associations and Foundations is in the process of public debate and it is expected soon to be adopted. The new Law will enable approximation of the national legislation with the EU acquis in terms of broadening the possible frames of associating.

7. Is there a format for accounting? Please explain.

The framework for accounting is regulated by the Company Law and the Rulebook on Accounting Standards, which introduces the international accounting standards of the International Accounting Standards Committee (IASC) as accounting standards applied in the Republic of Macedonia ("Official Gazette of RM" No. 94/04). The above mentioned standards are being harmonized with the current standards, as per IACS decision to supplement, amend, or adopt the aforementioned standards.

In addition, special balance schemes are prescribed in the Republic of Macedonia for large and medium sized companies, as well as shortened balance schemes for small entities (Rulebook on prescribing of the form and contents of balance schemes, "Official Gazette of RM" No. 23/99).

According to the Company Law, the Minister of Finance enacts bylaws prescribing the form and content of the balance schemes that are also mandatory for the EU member states. These bylaws are driven from the 4th (78/660) and 7th Directive (83/349), as well as the EU Directive 86/635 (banks accounts) and EU Directive 91/674 (insurance companies accounts).

For more details on the issue please read the answer of the question from the chapter [05 II A 6](#).

II. BUSINESS ENVIRONMENT

A. Education and training for entrepreneurship

1. Is entrepreneurship in any way taught as a skill in the formal (primary, secondary, university) education or vocational training system? Where appropriate, please indicate whether these are compulsory or optional subjects in the curriculum.

In the Macedonian educational system, entrepreneurship is taught as part of the formal education (primary, secondary and university education).

In primary education, entrepreneurship content is taught within the "Program for Economic Education of Young Managers" – Junior Achievement, which is realised in primary schools as optional activity

for youth economic education (7-14 years of age). This Program encompasses 25 primary schools in Skopje and 20 primary schools in other towns. The total number of participants in the primary education is 11.000.

Contents in the area of entrepreneurship are taught in secondary 4-year and 3-year vocational education. Vocational education in the Republic of Macedonia is realised as reformed and non-reformed, i.e. realised according to reformed curricula and syllabi and the existing curricula and syllabi. Namely, the realisation of reformed curricula and syllabi for a certain number of educational profiles of 11 professions or groups of professions from the Secondary Vocational Education and Training Reform Programme in the Republic of Macedonia (PHARE Program or VET Program, i.e. Vocational Education and Training Reform Programme), has started in school year 1999/2000. The realisation of the existing non-reformed curricula and syllabi continued for education profiles of professions or groups of professions that were not part of the reform.

In non-reformed vocational education, contents in the area of entrepreneurship are included as the compulsory subject "Management and Business" in curricula for educational profiles with 4-year and 3-year education in all professions, except for profiles of the economic, legal, trade and bureau-technical vocation. In the existing curricula for all educational profiles of the economic, legal, trade and bureau-technical vocation, contents in the area of entrepreneurship are included in the vocational economic subjects as compulsory subjects.

Reformed vocational education, which is realised only in reformed educational 4-year profiles of 11 professions or groups of professions includes contents in the area of entrepreneurship in the compulsory subject "Business", which is taught in 3rd and 4th year. In reformed educational profiles of the economic, legal and trade vocation, entrepreneurship contents are included in the 1st and 2nd year within compulsory subject "Basics of Business", as well as in 3rd and 4th year within compulsory subject "Business". Furthermore, entrepreneurship contents are also included in the compulsory subject "Internship" in the 4th year, and a small part within compulsory subject "Economics". As a matter of a fact, the contents of subject "Business" in the 4th year in all reformed educational profiles and vocations come mostly from the area of entrepreneurship. Certain entrepreneurship contents in the reformed educational profiles of the economic, legal and trade vocation are encompassed in the optional subject "Business" in the 3rd and 4th year.

Certain high vocational schools in the Republic of Macedonia teach entrepreneurship contents and skills through the "Program for Economic Education of Young Managers" – Junior Achievement, which is realised only as extracurricular activity, according to the needs of secondary vocational school students, and the possibilities of the schools for the program realisation. Namely, this program is realised as optional activity only in primary education, upon the approval of the Ministry of Education and Science, and as extracurricular activity in secondary vocational education.

Entrepreneurship contents were not included in high school education, which was realised according to old curricula and syllabi.

Optional subjects "Economics" and "Management" will be taught in the reformed high school education according to new curricula and syllabi within the 4th year, including contents in the area of entrepreneurship.

Entrepreneurship in university education is included both as optional and within the regular content, depending on the field of studies.

For example: Faculty of Mechanical Engineering-Skopje, Industrial Engineering Department; entrepreneurship is taught within the subjects Basics of Managements, Quality Management, Project Management, Products and Processes Development, Engineering Economics, Maintenance Management, Strategic Management, Marketing, Technological Management, Entrepreneurship and Small Business, Accounting and Finances.

There are curricula and syllabi of entrepreneurship at Faculty of Economics - Skopje, Departments of Economics, Management, Marketing, and Foreign Trade.

The situation is similar at the Faculty of Economics - Prilep and Faculty of Technical Sciences - Bitola.

In regard to the Institute for Sociological and Political-Legal Research within "Ss. Cyril and Methodius University" in Skopje, entrepreneurship is included in the subject "Organisation and Management" at the Group for Applied Policy and Administration.

For more details see [18 I F 3](#).

2. Regarding university level education on entrepreneurship in your country: are there any specific academic titles on entrepreneurship, i.e. can an entrepreneurship degree be obtained as the ultimate objective of the course in question?

Economic Institute – Skopje within "Ss. Cyril and Methodius University" – Skopje, has established a program for post-graduate studies that provides title – M.A. degree in entrepreneurship.

One cannot acquire a diploma on entrepreneurship at the other faculties.

3. Outside of the remit of formal education and training, are there any other initiatives to stimulate entrepreneurship (using media, events, local partners, significant initiatives of companies themselves etc.)?

There are several initiatives for introduction of a curriculum for adults in the field of entrepreneurship skills, mainly financed by foreign donors. There are several private initiatives for providing of training, such as the one of the Workers' University with a potential for promotion of this sector, through training of unemployed, educational program for adults, in accordance with the market and entrepreneurship needs.

The Agency for Promotion of Entrepreneurship, through the Program of Measures and Activities for Promotion of Entrepreneurship and Creation of Competitiveness of the Small and Medium-sized Enterprises in the Republic of Macedonia, has provided 32.500 EUR in 2004 for co-financing of scholarships (around 20 scholarships) for post-graduate studies, acquiring title M.A. in entrepreneurship.

There is one CARDS pilot project ongoing for the self-employed that is implemented by the Ministry of Labour and Social Policy in amount of 50.000 EUR.

In the course of the last 3-4 years, the Association of Women Entrepreneurs in Macedonia "ARNA", along with the assistance of foreign donors (SOROS and Macedonian Enterprise Development Foundation - MEDF) has organised several trainings for encouragement of the female population to enter the world of business.

The C.E.F.E. concept for entrepreneurship skills training, which has been introduced in the Republic of Macedonia by the GTZ-DEG coordination office, practiced by the network of locally trained and licensed trainers, along with the financial support from SEED, MEDF and GTZ-DEG, Programme for Social Adjustment (World Bank credit for Government) are just some of the examples.

The network of centres for business support, which is dispersed throughout the country, assists in the expansion of the entrepreneurship spirit among the population, with a special emphasis on SMEs, micro and start-up businesses, activities with laid-off workers and female entrepreneurs.

Trade fairs in different parts of the country are occasionally organised, including different forums, roundtables and discussions related to issues of small businesses and entrepreneurship (Gostivar, Prilep, Bitola, Skopje).

Brochures for popularisation of small business have also been published. They have been prepared by different institutions (Regional Centres, Institute Foundation Open Society-Macedonia, MEDF, SEED, USAID, Ministry of Economy, EAR, banks, GTZ, SEAF, SINTEF, Macedonian Bank for Development Promotion etc).

There are also TV programs for promotion of population business behaviour development, and in this respect improvements are being considered.

B. Company start-ups

1. Please make your best assessment of the total number of procedures and minimum time and costs (in euro) required to effectively register a new company and fulfil all formal requirements. Please distinguish between registration in the narrow sense, other formal procedures and licensing/permits. Describe which administrations are responsible for the different steps.

1. Trade Companies

The Company Law ("Official Gazette of RM" No. 28/04) was adopted by the Assembly of the Republic of Macedonia in April 2004.

The Law envisages 7 steps for registration of business in Macedonia:

a) Submitting of registration documents to the court of competent jurisdiction (registration in the narrower sense):

- Agreement/statement for establishment of the company (incorporation) certified by a notary (If the agreement/statement is written in a foreign language, a verified translation by an authorized translator, certified by a notary is required);
- Appointment of company's manager;
- Payment of founding capital, along with an appraisal if part of the founding capital is contributed in-kind;
- Adoption of a court decision for registration;
- Publishing of the company in the Official Gazette.

If all documents are accurately filled out, the court decision for registration can be obtained in 8 days. Following the registration there are other procedures for acquiring the set of conditions needed for actual start up with the activities, such as:

b) Obtaining of the company's Identification Number in the State Statistical Office. The procedure for acquiring of the Identification Number takes 1 day.

c) Registration of the company in the Public Revenue Office, for the purpose of acquiring of a Unique Tax Reference Number. The procedure for acquiring of a Unique Tax Reference Number takes 3-5 days.

d) Acquiring of a Customs Reference Number from the Customs Administration, if the company deals with foreign trade. The procedure for acquiring of a Customs Reference Number takes 1 day.

e) Opening of bank accounts

f) Providing of working or resident visa, if part of the founders, managers or workers are foreign nationals.

g) Entry of employees in the Employment Bureau register, as well as in the Health Fund and Pension Fund.

Depending on the type of the business activity, various authorized institutions issue special licenses, (for example license for technical conditions, hygiene-sanitary, as well as license for protection at work etc).

Almost all of the abovementioned steps require personal presence of the founders of the legal entity, for the purpose of signing and certifying the documents. However, for the purpose of faster registration, entities that want to register a company use authorized persons (lawyers), who have experience in registration procedures.

The average registration price of a legal entity depends on the type of the company that is being registered, but it moves in the proximity of 150-200 EUR. If the company is registered by a lawyer or another person that is authorized for registration assistance, the service costs additional 30-50 EUR to the registration price. The costs of acquiring special licenses (energetic consent, communal costs etc) amount to an average of 15-20 EUR.

2. Artisanship

Artisans' registration is conducted according to the Law on Artisanship (Official Gazette of RM No. 62/04).

According to the new legal decisions, the municipal, i.e. regional artisan chambers are authorized to register artisans.

Required steps:

1. Request for entry in the artisan register

The request should be accompanied by:

- a) Proof of unemployment; and
- b) Proof of appropriate vocational education or vocational skills.

There is a list of crafts, which do not require proof under b)

2. Obtaining of a decision for register entry (decision is acquired within 8 days). If an official response to the request is not acquired within this deadline, the request is considered eligible.
3. Submitting reports to the State Market Inspectorate on the meeting of the minimum technical conditions of the business premises.

Average registration price for artisans and beginning of business activities amounts at 30 EUR.

2. Can all or part of the process be undertaken through on-line procedures? Please specify which steps, if any, can be made through direct on-line procedures.

None of the envisaged steps within the registration process is performed on-line.

The current regulation requires the presence of the applicant or by him/her authorized person at a number of counters, and the system requires that the documents are certified with an appropriate seal.

In addition, there are plans for establishment of electronic registration of the legal entities in the Republic of Macedonia. The Law on Electronic Data and Electronic Signature ("Official Gazette of RM" No. 34/01, 06/02) was adopted, but the fulfillment of the technical prerequisites is still ongoing in order to enable practical implementation of the Law.

For the realization of the procedure for e-registration of legal entities, the requirements are:

- A network connecting the ministries and institutions involved in the process of registration needs to be established.
- All relevant institutions need access to the database for company registration.
- Software for all users of the institutional network has to be developed and introduced.

- A banking system needs to be developed where the utilization of the non-cash payment is possible.

For more details see [03 IV C 4](#).

3. Is there obligatory membership of Chambers of Commerce in your country? If yes, what is the membership fee?

The commitment for obligatory membership in the Macedonian Chamber of Commerce was abandoned in 2002. The membership is voluntary, and costs 0,12% of the gross salary of employees in the economy.

Fees in the Artisans associations amount to an average of 2 EUR.

4. Please describe very briefly which (if any) measures your country has introduced to ensure the effective survival of start-ups. Where these have had measurable results, please provide data.

For the purpose of successful sustainability of start-up enterprises, the Government of the Republic of Macedonia undertakes set of measures determined by the Program of Measures and Activities for Promotion of Entrepreneurship and Creation of Competitiveness of the Small and Medium-sized Enterprises in the Republic of Macedonia.

The realisation of these projects is conducted through the network of institutions for entrepreneurship promotion – 5 regional NEPA centres (Skopje, Veles, Strumica, Kumanovo and Bitola), 3 ESA agencies (Tetovo, Gostivar and Ohrid), and PREDA – Prilep etc.

The Ministry of Economy initiated series of training seminars in the field of management, marketing and financing of businesses during 2004, aimed at improving managerial skills of high level SME personnel. The training program included more than 300 participants.

There are seven business incubators, where enterprises are assisted in their start-up and future activities. These incubators currently support around 30 companies with approximately 350 employees.

Macedonian Bank for Development Promotion realises a micro-credit line through the commercial banks, which can be used by business beginners too.

Macedonian Enterprises Development Foundation (MEDF), the Macedonian Bank for Development Promotion (MBDP) and savings bank "Moznosti" made great efforts for successful realisation of the project "Sources of SME Financing". In order to improve the access to information for entrepreneurs, the aforementioned organisations, in coordination with the IFAD projects within the Ministry of Agriculture, Forestry and Water Economy, Ministry of Economy, Foundation Open Society Institute Macedonia, SEED and Fund for SME Crediting organised presentations in 13 cities throughout Macedonia.

The publication "Support for Entrepreneurship in Macedonia" was also prepared, presenting the credit lines and other financial services (14), financial institutions where credit lines are being implemented (14), programs/projects in the field of non-financial services (7), and consultant houses, which alleviate access for SMEs to the credit lines (51). The publication was distributed at the presentations. The meetings also included discussions on special topics, such as: activities of the Guarantee Fund, amendments in the Company Law, Trade Law, Law on Artisanhip, as well as discussions on credit lines and questions by the participants.

Regional centres, local development centres, ESA Agencies were actively included in the logistic support of the so-called caravan.

There are two other important international initiatives such as the office of Southeast European Enterprise Development – SEED (project of World Bank and International Financial Cooperation) and the BAS Programme (Business Advisory Services –project of the EBRD). The aim of these projects is to raise the awareness of the entrepreneurs, as well as their skills using different methods. For example, SEED through its organised trainings offers possibilities for acquiring skills in the field of marketing, management, accounting and others. The BAS Programme covers up to 50% of the costs for consultancy services dealing with concrete business problems and drafting of development plans.

C. Legislation and regulation

1. Have the effects of your country's legislation on the business environment, in particular for small enterprises, been evaluated? If not, do you consider launching such evaluation? If yes, please provide an overview of the main findings and subsequent action taken by the government.

There is no evaluation of the effects of the legislation on the business environment in the Republic of Macedonia, except in the case of the evaluation of the financial effects of the legislations on the Budget.

According to the findings of the Ministry of Economy, and taking into consideration that the Republic of Macedonia is a small country, a less formal system should be established, i.e. a shortened procedure for evaluation of the regulatory impact. This evaluation should not be expensive, and should only include planning of modest evaluation procedures, resulting in the cost-oriented results. The evaluations should be supplemented with other elements that influence decision-making process, such as constitutional demands, international treaties, "ideological" elements and political commitments.

The evaluation of regulatory impact is a useful procedure. Therefore there are political and administrative commitments, which take into consideration the evaluation results in the decision-making process.

In addition, there are research studies financed by the donor programs for evaluation of regulatory impact of the legislation in force on the business environment (for example the project Development perspectives of the SMEs 2004 implemented by the Economic Institute- Skopje financed by FOSIM; Phare ACE-Barriers to small business development in Slovenia, Bosnia and Herzegovina and Macedonia, SMEs in Macedonia, Fridrich Ebert Foundation-Office Skopje 1998).

2. What procedures are in place to assess the impact of new legislation on business?

Currently, there are no strictly regulated procedures for evaluation of the impact of the new legislation on business.

Organised evaluations of the expected effect of the new laws are carried out in the relevant ministries, as well as in the faculties of economics and institutes within the universities, but these simulations usually do not include the effect of particular legal norms on small businesses.

On the other hand, the Government of the Republic of Macedonia determined the basis for functioning of the effect evaluation system. According to the Rulebook of the Government of the Republic of Macedonia ("Official Gazette of RM" No. 38/01, 98/02, 9/03, 47/03, 67/03), when submitting materials by the ministries and other state bodies to the Government sessions, they must

be accompanied by a standard package of documents, which refers to inter-ministerial cooperation and inter-sectoral consultations on draft-legislation.

For more details see [22 II A 10](#).

3. What measures has your government taken in order to adopt user-friendly administrative documents?

The Government of the Republic of Macedonia simplified the procedures for registration of artisans and trade companies with the adoption of the Law on Artisanhip ("Official Gazette of RM" No. 62/04) and the Company Law ("Official Gazette of RM" No. 28/04).

The Company Law introduces the term "one-stop-shop" system. The preparation of bylaws for a general Trade registry is ongoing, which should regulate the keeping of the Trade registry (manner of registration, form and content of registration forms and other issues), as well as bylaws on the procedure for the one-stop-shop system.

The Law on Artisanhip and the Trade Law ("Official Gazette of RM" No. 16/2004) abandoned the necessity for commission confirming that a company meets minimum technical conditions, sanitary conditions, conditions for protection at work and environment protection. The report form confirming the fulfilment of these conditions is submitted to the State Market Inspectorate. The report form is accessible on-line at the web site of the Ministry of Economy. The report form is filled out on the basis of already familiar conditions, which the business premises should fulfil.

4. Are there any rules in place, which allow for SMEs to be exempted from certain regulatory obligations? Is your government considering any measures to allow for such exemption?

In general, there are no rules that exempt SMEs from particular regulatory obligations. Within the measures for simplification of the establishment and activities of the SMEs, especially for micro-enterprises and sole proprietors, there are initiatives for simplification of certain administrative procedures when referring to these issues.

The Law on State Aid ("Official Gazette of RM" No. 24/03) includes provisions that allow support for the SMEs.

Artisans have the most favorable position, because the procedure for registration and the commencement of operations regulated by the Law on Artisanhip has been simplified in comparison with the procedure for individual traders and trade companies, regulated with the Company Law.

For all businesses, regardless of their size, there is certain fiscal relief (such as relief from Profit Tax when reinvesting, or acceptance of the progressive depreciation rate as cost when introducing new technologies etc).

5. Is there any mechanism in place, which encourages the regular involvement of the business community in the legislative process?

In general, businessmen can take part in public debates on legislative changes concerning business conditions, through the Chamber of Commerce and other associations. However, when it comes to the SMEs and their participation in the creation of policy and strategy for developing of the sector, the optimal results were not fully achieved in the traditional chamber mechanisms. Therefore, the establishment of new professional associations is an initiative for the purpose of them becoming more active partners to the Government in the process of adopting new legal regulations. The Association of Independent Chambers of Commerce was established in October 2004, comprising of Chambers for Industry, Services and Commerce. Around 600 companies are members of this Association, and their first task is to help build a better business climate in the country.

The new Law on Artisanhip provides the possibility for prior handicraft associations to grow into Artisan Chambers.

The National Economic Team (NET) for implementation of the Investment compact of South East Europe in cooperation with OECD was restored in April 2003. The team members come from the ministries, international organizations and the private sector (11 out of the 30 members come from the private sector). The National Economic Team has the role of a promoter of changes, to urge, follow and notify on the progress of the Charter, including upgrading and enhancement of the legal framework within the field of direct foreign investments, as well as its approximation with its EU counterpart. Furthermore, NET acts as a supervisory committee of the World Bank FIAS project.

In compliance with the initiative of the Ministry of Economy and the project "Macedonia Competitiveness Activities (MCA) of the United States Agency for International Development (USAID), the National Entrepreneurship and Competitiveness Council on was established in June 2003, with the task of developing entrepreneurship and improving competitiveness of Macedonian economy. This advisory public-private body is comprised of ministers, consultants, businessmen and economic experts, who discuss on topic related to the public and private sector.

The European Business Association was established in September 2004. It includes 36 members (small, medium and large companies), and is part of the European Network, with the objective of linking the interests of businessmen and strengthening of the dialogue with the Government as well as to approximate the European legislation and best practices into Macedonian companies.

D. Availability of skills

1. Has any work been carried out to assess the skill needs of SMEs?

Only partial research for evaluation of the SMEs needs for skills (done by ministries, universities, international organizations and projects) has been carried out so far.

For the purpose of comprehensive and continual observation of the SMEs needs, a project for establishment of a SME Observatory has been prepared. The Observatory has been established by the Ministry of Economy and the Agency for Promotion of Entrepreneurship and started its activities at the beginning of January, 2005.

The main objective for the establishment of the Observatory is to create a permanent mechanism for following, analysis and comparison of the role of the Macedonian SMEs with other countries.

2. Please describe measures, if any, to ensure the availability of education/training systems or initiatives to supply skills specifically in demand with SMEs?

On the basis of the Program of Measures and Activities for Promotion of Entrepreneurship and Creation of Competitiveness of the Small and Medium-sized Enterprises in the Republic of Macedonia, the Government of the Republic of Macedonia adopts annual programs for co-financing of projects for non-financial support of SMEs. A significant part of this Program refers to SME training and education. The seminars are realised through the institutional network for entrepreneurship promotion throughout Macedonia.

The Program directly co-finances the education of entrepreneurs enrolled at post-graduate studies in the field of entrepreneurship.

Also, the Association of Local Self-Government Units has opened offices for local economic development in 13 municipalities throughout the country. The aim of these offices is to promote enterprises in the region of their location.

The more significant international initiatives, which also function in the Republic of Macedonia are: Southeast Europe Enterprise Development office (SEED), the World Bank business incubators, the BAS Programme, as well as the Macedonian Enterprise Development Foundation (MEDF). The objective of these organisations is to raise the awareness among entrepreneurs by using different methods. For example, SEED offers the possibility of acquiring certain necessary skills in the area of marketing, management, accountancy etc through their training courses. Furthermore, the BAS Programme co-finances 50% of costs for consultant services for the resolution of a concrete business problem, introducing standards, which enable enterprises to overcome their problems. BAS is a successful model of developing the market for the consultant services. The World Bank has enabled direct assistance, especially for start-up enterprises, through the opening of 7 business incubators throughout the territory of the country.

Several associations of trainers function in the Republic of Macedonia, offering specialised training for entrepreneurs. Here are some of them:

- Macedonian marketing association "Marketing";
- Macedonian association of consultants "MCA 2000";
- Macedonian agro-economists association "ZAEM";
- BASME KT;
- Macedonian Network of Trainers "MMO".

The objective of these associations is to promote the necessity for use of training, with the aim of promoting SME skills.

The type of training delivered by consultants is:

- Management (strategic planning, motivation and team work, communication and presentation skills, negotiating skills etc);
- Marketing (strategies, plans, marketing mix product, selling techniques, clients' care, distribution channels, public relations etc);
- Finances (financial reports and analyses, finance management, liquidity and costs, investment decisions, cost-benefit analysis, budgeting etc);
- Entrepreneurship (how to start-up a business, from idea to business, entry of business idea, marketing for small business, finances for small business, and business plan training).

E. Online access for SMEs

1. Do public authorities in your country provide on-line information specifically targeted to SMEs? What kind of information is available on-line of specific interest to SMEs? Are any initiatives planned to enhance this service?

There has been huge progress in this field. Many institutions, especially public ones (ministries and other Government bodies) publish and update their information regarding SMEs, at their Internet web sites. Entrepreneurs can acquire all necessary information they need through the use of the Internet, regardless of whether this refers to the legal framework and the laws, or to information regarding taxes and customs etc.

There is on-line communication with the public, such as in the case of the Ministry of Finance or the Customs Administration. All participants in the customs procedures (public enterprises, snail mail, applicants, importers/exporters etc) are linked on-line with the customs information system (MAKCIS), they submit an electronic copy of documents, and can permanently follow-up the situation with the packages, for which they are authorized in the process of paying duties.

Certain statistic macro-economic data is provided by the National Bank of the Republic of Macedonia and the State Statistical Office.

SEED, IFC Regional Initiative and the World Bank, alongside with the GTZ project for private sector promotion, has developed a successful portal for small businesses, including many useful information, business news and links to relevant domestic and foreign web sites.

Still, there are numerous technical problems, which limit the use of on-line services, such as high prices of ICT equipment, telephone charges and Internet access. It is estimated that the competitive level will be increased in time, thus decreasing the limitations. For example, free cable Internet access is being promoted in one Skopje settlement.

Upon the initiative and under direct sponsorship of the former Macedonian President, the Government of the Republic of Macedonia promoted the idea "E-Macedonia for All", which has the objective "to improve and accelerate transition activities of the country towards the information society and networking economy". The planned activities refer to the preparation of a National Strategy for Information Systems, preparation of pilot projects, which would develop Macedonia into a regional model of networking economy.

Besides the sector of the Information Technology, there is a necessity for introduction of additional initiatives in the other sectors too, thus enabling the raising of the citizens' and entrepreneurs' awareness on the potentials of electronic networking. There is still a large number of relevant information, which is not adequately exchanged and distributed.

2. Can SMEs effectively communicate with public authorities on-line (interactive use of Internet) and can they receive advice, make applications, file tax returns etc. on-line? If such services exist, how widely are they used by SMEs?

In general, all web sites are one-directional, but there is a possibility for contact with the institutions via e-mail.

In regard to the information at disposal, there are a number of useful advices at the Government web sites. However, the progress is expected to be done in the field of on-line applications/registrations/requests, as well as other advanced Internet uses.

The change would encompass a significant modification of the traditional administrative framework and procedure. The current laws and administrative procedures require a personal signature and seal from the company on all documents, while some even require a notarization in order to confirm the personal reception of a document. For the time being, even though there are institutions that publish the applications and documents on-line, they are only partially assisting the companies, because these applications can not be submitted right back via mail.

The laws that would regulate the legal aspects of the electronic transactions, such as the Law on Electronic Data and Electronic Signature exist ("Official Gazette of RM" No. 34/01, 06/02), but significant efforts for wider introduction of electronic transactions are to be undertaken in the near future.

The Ministry of Finance and Ministry of Economy offer certain forms that can be acquired from the Internet, which is a very useful practice for the future, but there is always the question on the encompassing of the population with these measures.

Only about 4% of the population has permanent Internet access, while most of the population, even businesses do not possess credit or debit cards, which would act as means for payment of taxes.

On-line services are still very rare. There are several successful attempts, such as portal "Trade Fair Mak", certain hotels offer reservations, some bookstores offer on-line purchase of books etc. All these efforts should be encouraged, their potentials will come to surface when the national system for inter-banking payments and the network of bank machines and cash registers would become available, and banks will finally abandon the paper checks.

F. Market access for SMEs

1. Please describe which measures, if any, are in place or to be introduced, to enhance the access and opportunities of SMEs on foreign markets, particularly the EU Internal Market.

With the signing of the Stabilisation and Association Agreement in 2001 and with the membership in the World Trade Organisation, the Republic of Macedonia became harmonised with the international community conditions for import and export. These agreements have contributed to the introduction of international standards and tax relief, which has resulted in the increase of competitiveness of domestic products at foreign markets, as well as increase of the competitiveness level in the country.

For the purpose of increasing competitiveness, Macedonian products must be harmonised with international quality standards, such as HACCP, GMP, GAP, GHP, as well as ISO standards. The implementation of such standards is undertaken by several programmes that are supported by the Macedonian Government and other donors, such as the Netherlands, CARDS, GTZ, BAS, and USAID etc. In this context, one should emphasise the role of the Macedonia Competitiveness Activity Project (MCA), an initiative financed by USAID for grouping of companies in five clusters (tourism, lamb and cheese, wine, IT and textile), for the purpose of increasing the general quality of products, as well as to enable their selling at national and international markets.

With the assistance of the EU programmes for technical assistance, the necessary legislation is adopted, and the institutional framework for standardisation, metrology, accreditation and quality validation of the products is established. The development and strengthening of the Institutes for Standardization and Accreditation and the Bureau for Metrology is ongoing. Thus, Macedonian products will meet the quality requirements of the EU markets.

Besides these programmes, the Government provides support to additional activities for export promotion, by using the usual financial instruments, such as export credit insurance from commercial risks via Macedonian Bank for Development Promotion.

The initiatives for promotion of Macedonian products are the following:

- ICE – Italian Office for Commercial Promotion;
- SINTEF – Office for Norwegian-Macedonian Economic Cooperation;
- SIPPO – Office within the Swiss Embassy for promotion of Macedonian export in Switzerland and other EU countries.

There are further steps, with the aim of implementing a coherent campaign for promotion of the Macedonian products' image; implementation of an appropriate marketing campaign on domestic and foreign markets; raising of the awareness for other measures, such as sale support etc.

According to the Programme for utilization of funds from the supplements paid by business entities when importing or exporting products, goods and services, the Ministry of Economy compensates part of the costs to business entities, in order to improve competitiveness and export of products and services, as well as to enhance foreign trade exchange, for:

- consultant services for introduction of a quality system;
- certification of a quality system and certification of products;
- preparation of promotion materials intended for foreign markets;
- participation at international fairs, exhibitions, business forums, seminars;
- research of target markets;
- promotion campaigns at domestic and foreign markets.

The initiatives that exist for improvement of the current situation include:

- Promotion of Macedonian products in the country and abroad, through marketing and promotion campaigns, participation at fairs etc;
- Transfer of experiences from other countries in Macedonia (through business meetings, forums etc);

- Opening of "Macedonian Economic Offices" in other states, as part of the embassies, for the purpose of promoting Macedonian products and attracting foreign direct investments;
- MCA Initiative.

In order to create possibilities for acquiring information on the European and other markets, the European Information and Correspondence Centre (EICC) began with its activities.

Agency for Promotion of Entrepreneurship is actively engaged in the realisation of project "Development of SMEs and Entrepreneurship in SEE", supported by the Southeast Europe Stability Pact, CEI, Macedonian Ministry of Economy, comprising of the following sub-projects:

- Business cooperation network (BCN);
- Entrepreneurship training;
- Twinning regional linking.

Seven centres for business cooperation have been established in the area of former Yugoslavia (Slovenia, Croatia, Bosnia-Herzegovina, Macedonia, Serbia-Montenegro and Kosovo), thus practically establishing an exchange of offer and demand (matching) among business entities in the region. The database is in function of:

- Offer and demand of goods and services;
- Possibilities for cooperation in production, trade and promotion;
- Merger and acquisition of companies;
- Data on free business capacities;
- Franchised and licensed operations.

Over 1.100 regional enterprises have applied at the exchange by February 2004, which can be found at www.berza.org.

There is also a Macedonian-German Business Association (chamber), with objective to promote business contacts among enterprises, as well as prosperity of the general bilateral relations of these two countries. From the other hand there is the Macedonian-Dutch association and from September 2004 the European Business Association has been established as an association of domestic enterprises and enterprises with foreign capital. This association aims to promote business contacts with the EU member states as well as stimulating foreign investments in the Republic of Macedonia.

G. Taxation and financial matters

1. Is there any tax exemption or reduction for small enterprises? Yes/no. Please mention any good practice in this area.

The existing tax system and tax policy in the Republic of Macedonia do not provide any exemptions in regards to the enterprise's size.

According to the Profit Tax Law ("Official Gazette of RM" No. 80/93, 33/95, 43/95, 71/96, 05/97, 28/98, 11/01, 01/02, 44/02, 51/03), where the general income tax rate is set to 15%, tax relief are applied to all types of enterprises. According to the Law, the following tax relief exist:

- Right for accelerated amortization of fixed assets in cases of realisation of technological depreciation or procurement of means for environment protection;
- Enterprises with more than 20% of foreign share have the right of tax reduction in the first three years of their activities, under the condition that activities do not cease in the upcoming three years;
- Tax reduction on the amount of investments in movable and immovable property, up to 100.000 EUR and exceeding 100.000 EUR;
- Tax reduction if fiscal devices are introduced and used.

The tax payer realises the right for tax exemption with an approval from the public revenue authority, upon a submitted written request.

According to the Value Added Tax Law ("Official Gazette of RM" No. 44/99, 59/99, 86/99, 11/00, 08/01, 21/03, 19/04), enterprises with turnover that does not exceed the amount of 1.300.000 MKD, i.e. 21.000 EUR are not obliged to register as VAT payers.

2. Has action taken place to simplify tax compliance procedures for SMEs? Yes/no. If yes, please specify.

The existing Profit Tax Law ("Official Gazette of RM" No. 80/93, 33/95, 43/95, 71/96, 05/97, 28/98, 11/01, 01/02, 44/02, 51/03) has not regulated this issue.

The new Profit Tax Law is being prepared, and according to the provisions in the draft-version, the micro-enterprise can choose to pay an annual flat amount rather than paying profit tax.

According to the draft of the abovementioned law, term "micro-enterprise" is coordinated with the Company Law ("Official Gazette of RM" No. 28/04).

The annual flat rate for micro-enterprises is determined on the basis of the total income from the previous calendar year, in the following manner:

- for total income of up to 25.000 EUR in MKD equivalent value, the flat rate for micro-enterprises amounts to 500 EUR in MKD equivalent value;
- for total income larger than 25.000 EUR in MKD equivalent value, but less than 50.000 EUR, the flat rate for micro-enterprises amounts to 1.000 EUR in MKD equivalent value.

The simplification of the procedure for taxation for these low-income business activities refers to the tax decrease and simplified updating of business registers.

3. Has some kind of tax credit for new entrepreneurs been introduced? Yes/no. If yes, please specify.

In compliance with the Profit Tax Law ("Official Gazette of RM" No. 80/93, 33/95, 43/95, 71/96, 05/97, 28/98, 11/01, 02/02, 44/02, 51/03), the taxpayer that performs an activity for the first time has the right to a 50% tax deduction in the first year of registered profit-making.

The new entrepreneurs can acquire the right to a tax credit in the following cases:

- Beneficiary of a free economic zone is exempted from the Profit Tax for a 10-year period;
- Taxing alleviations and deduction of the amount of investments for movable and immovable assets are also envisaged;
- According to the Law on Employment of Disabled Persons ("Official Gazette of RM" No. 44/00, 16/04), associations that employ such individuals are exempted from Profit Tax.

4. How would you assess the situation in your country in relation to SMEs' access to finance through banks and financial institutions?

The most significant sources of SME financing in the Republic of Macedonia are the banks. The reforms and privatisation in the banking sector have already been completed. Yet, there is still a necessity of foreign capital inflow for the purpose of broadening the types and volume of financial services that the banks are offering to the sector.

Generally, the financial instruments that are offered to other European and World markets are represented in the Republic of Macedonia, as well. However certain financial instruments, especially the "non-traditional" ones, such as funds for initial financing and other types of funds, factoring, cross-border leasing, business angels, and other types of alternative financing, are still not fully developed at the market.

The existing financial instruments and institutions have registered a continuous development in the last few years.

There are several credit lines of domestic and international institutions, as well as foreign governments (World Bank, EBRD, EU, USAID, KfW, German-Macedonian Credit Fund, MEDF, Italian Government, SOROS, MBDP), as well as credit lines of the banks, which makes sufficient capital for financing of small businesses.

However, the conservative approach of banks towards crediting, high collateral demands, the current judicial reform, not sufficiently clear legislation regarding ownership, inappropriate conditions set by the donors, low management culture among SMEs, as well as relatively high interest rates are reasons for insufficient utilization of most of these funds at disposal in the banks.

Penetration of foreign banks in domestic ones, as well as their independent functioning at the market largely improves the activities of the banks, and thus access of SMEs to short-term and mid-term credits.

On the other hand, the general business climate and the ongoing judicial reforms have also had an effect, that only limited number of companies can be capable of dealing with the problems of liquidity when repaying the credit.

The state owned bank "The Macedonian Bank for Development Promotion" was established in 1998 on-lends the funds (most of them provided by donors) through the commercial banks in the country. This bank also provides export credit insurance for companies.

Significant progress in this field has been made by the establishment and the work of Procredit Bank with a rapid expansion of the credit activities, minimum procedures and deadlines required for processing of credit applications. Two other private banks (FULM-savings-credit union established within the USAID Programme and Moznosti- savings bank which is in the process of transition into bank) should also be mentioned as banks for small business addressing the larger part of their activities towards stimulating new SME clients. All this proves that slowly but surely the SMEs are being developed as an attractive target for the banks. The situation can be significantly improved if the judicial reforms and increase of judicial efficiency are being sped up and the amendments of the legislation in respect to increase the creditor rights protection are undertaken.

5. Is the financial sector open and responsive to the needs of SMEs in your country? Are banks ready to respond to the needs of small employers? What is the documentation requested by banks in order to extend a loan to an SME? What are the average costs and how long does it take to prepare the requested documentation?

The financial sector is getting closer to the entrepreneurs' needs, but it is still not ready enough to meet the needs of the new and small companies. The basic argument of the commercial banks for the mistrust towards SMEs is the estimated risk of the SMEs as clients. Banks are not satisfied by the quality of prepared business plans, as well as the relatively large risk in the activities of enterprises without tradition in the business world.

Since the past few years, the Government and relevant state institutions are getting more aware of the necessity for assisting in areas where the banking sector is not interested in getting involved. Therefore, there are certain projects, which provide training of staff in commercial banks how to work with small and new enterprises.

Banks slowly begin to adjust in the sense of market-orientation, and are trying to find good clients. They reorganise their credit departments as a response to the SMEs concrete needs.

A good example is the work of Procredit Bank (established with capital of EBRD, IFC, KfW). This bank extends micro credits, while the time of extension of Proinstant/Proexpress credit (not exceeding 10.000 EUR) is 3 days. The application form is accessible on-line.

Other good example is also the work of savings bank "Moznosti", which was declared best practice by the UN in EEC in 1996. It extends small loans for beginners, and is unique in the country. Over 10.000 credits have been extended so far.

It is considered that this bank will be an example for other banks to change the manner of work, and see that the activities with small business can be profitable.

Certain banks (Macedonian Bank for Development Promotion) include on-line questions and answers at their web site.

In general, loans are approved upon receipt of application and all required documents. The bank must come up with the final decision within one month. Centralisation or decentralisation of decision-making depends on the amount of the credit. The branches can approve micro credits. Also, the bank practises organisation of a Regional Committee, which members are the branch managers from the region and they decide about loan applications up to a certain amount.

The loan request should be in written form and should include the following data:

- The company's name;
- Organizational structure legally regulated;
- Prior activity;
- The founder;
- The level of company's privatisation;
- Manager's name;
- Number of employees;
- Deponent Bank;
- The amount of the requested loan;
- The purpose of the loan;
- Repayment period;
- The possible collateral;
- Statement of capital connection of the company or the founders;
- Other information relevant for the loan type;
- Business plan if requested.

Other required documents:

- The complete court registration;
- Report from the State Statistical Office on the activity's allocation ;
- The list of signatures;
- Financial statements for the last three years (analytically presented);
- Data about the giro-account turnover in the last 12 months;
- Statements on accounts 120/121 and 220/221;
- Confirmation of the firm's creditworthiness, issued by the Deponent Bank;
- Closing list at the end of the previous year, as well as the current year;
- Auditing report;
- Documentation on provided market for raw materials acquisition and sale of products (if it is possible, offers and contracts with potential buyers and suppliers should be submitted);

- Documentation for possible collateral.

For a mortgage:

- a) For locations, where there is an established cadastre - List of property;
- b) For location, where there is not established cadastre:
 - Certificate of ownership, together with: Approval for building, Decision for location, Technical project verified by The Ministry of Transport and Communication, or Former Ministry for Civic-Engineering and Urbanism, or Municipality Council; or
 - Sale contract/Contract for gift /heritage decision.

For a pledge:

- a) Invoices for the equipment that is offered as collateral;
- b) Accountancy accounts of the equipment;
- c) The assessed value of the equipment.

Remark: A mortgage debtor can be a legal entity, individual person (the company's owner, the manager or other person).

The market value of the mortgage is a subject of evaluation by the Bank and the costs concerning that are on Bank's behalf.

The evaluation costs for the equipment which is offered as collateral is on clients' behalf.

If the applicant applies for a loan from some credit line, he/she also has to submit:

- a) The investment program (prepared according to the particular credit line);
- b) Pro-forma invoices for the equipment that is going to be financed by the loan;
- c) Statement of firm's indebtedness in other banks;
- d) Applicant's confirmation that he/she has not submitted the same loan request in another bank.

The bank accepts mortgage as collateral, in ratio 2:1.

Permanent bank clients have privileged treatment, in a sense that they can offer a pledge as collateral, in ratio 1:1.

Registration of the mortgage as a collateral is the client's obligation. In addition, the mortgage has to be insured and its delegation should be on behalf of the Bank.

When extending a credit, the credit applicant is liable to the following costs:

- costs for preparation of a business plan (if requested by the bank, and if the credit seeker cannot prepare it by himself), which are agreed directly with the consultant;
- costs for collateral, which are determined depending on the size and type of collateral;
- Redundancy pay, which varies from 0,5% to 2,5% of the credit amount, depending on the bank.

The duration of the procedure for credit extension depends on the type of the credit line and/or the type of credit, lasting from 3 days up to 1 month.

6. Are there public guarantee funds? Yes/no. If yes, please mention the most relevant results obtained.

The establishment of Public Guarantee Fund is in the phase of public debate and the draft law is already prepared, but in the past few months only small progress was made in regards of its adoption and implementation. The previous is due to the estimated increased risk for the state budget, as well as to the assessment of the international financial institutions with which the Republic of Macedonia

has signed financial arrangements, that it is an unacceptable practice and violation of free market of financial services through state funds intervention.

There are two guarantee funds, one of which is financed by the Swedish International Cooperation Development Agency (SIDA), as well as the recently established fund of the Macedonian Enterprise Development Foundation (MEDF). The first was established by the Centre for Promotion of Small and Medium-sized Companies (CPSMC), a non-governmental, non-profitable and developing institution, opened for other donors too. The CPSMC guarantee fund extends guarantees for projects that are positively evaluated by the banks, however lacking appropriate collateral.

MEDF extends guarantees for the beneficiaries of its credit line, but also war risk guarantees (in the former crisis regions, such as Kumanovo, Skopje, Tetovo, Gostivar, Debar, Kicevo, Struga).

In the course of November 2004, the Macedonian Government approved a donation from the Italian Government for economic revitalisation of the former crisis regions. Part of these funds will be used for the establishment of a guarantee fund, which would be used as an interest support to mid-term loans extended to small and medium-sized enterprises in these areas.

7. Are "non traditional" financial instruments (venture capital, business angels, etc.) being promoted/introduced/used in your country? Please mention any good practice in this area, including the most relevant results obtained.

The Macedonian financial sector does not include a great number of non-banking, i.e. "non-traditional" instruments for financing of small-size economy. Good examples in this field are:

- The SME Investment Fund – SEAF/Macedonia, with a capital from several international sources, takes part in the equity financing of successfully developed and stabile enterprises, shareholders' capital up to 49% of ownership, with the possibility of withdrawing from the enterprises after several years of investing. This fund is directed towards well-established, developed medium and large enterprises by size, and therefore small and new enterprises are not subject of interest and are not encompassed. Successful projects in the field of SME, supported by SEAF are "Magnolia" in the field of textile industry, "Pilko" and "Nasto" in the field of food industry.
- Program "Horizons " (financed by Catholic Relief Services) is a program for potential entrepreneurs, and those that are part of the informal sector, enabling them to gradually enter the formal sector. At the same time, the program allocates micro-loans to people that mutually guarantee the pay back of the loan (group loans), which serves to develop trust among people, i.e. future entrepreneurs. Around 10.000 loans have been realized so far (maximum amount of a loan is 2.500 EUR, while the pay back period is 6-9 months).
- Commercial Financial Fund for SMEs has a starting capital of 1.5 million USD, and is a project of the United States Agency for International Development, with the task of financing the needs for short-term working capital of small and medium enterprises. This is a new form of crediting small economy in the Republic of Macedonia.
- Savings bank "Moznosti" was declared best in the field of micro-financing by the EC within UN in Geneva in 1996. The savings bank originated from the USAID program "Opportunity International".
- Savings bank "FULM", with its branch offices in Skopje, Tetovo, Strumica, Kavadarci and Bitola, has been established with the WCCU (World Council of Credit Unions) program of the USAID, which provides small loans to its members-clients. Considering that there is no Law on Credit Unions, this savings' bank works according to the Banking Law and Savings' Banks.

H. Technological capacity of SMEs

1. Are there any programmes aiming at the promotion of technology dissemination towards small enterprises? How would you assess the impact of these programmes?

There is no special programme for technology dissemination for small and medium size enterprises.

The Programme for Technological Development 2002-2006 contributes to the sustainable development of the national economy, which includes small and medium-size enterprises. The Ministry of Education and Science prepares annual operational programmes for promotion of, and assistance to, the technological development and the technical culture.

By linking science and economy, the objective of the programme is to provide conditions for: continual innovation of the existing technical-technological processes, acquisition and transfer of new know-how, technologies and experiences, efficient transformation of research results and innovations in the production processes, introduction of new technological procedures and acquiring of new products. Everything is undertaken for the purpose of increasing competitiveness of the Macedonian economy in the wider frameworks.

Influence of programs is evaluated through the effects of the realised development-research and other projects. In general, the influence and effects are positive and contribute towards the economy's development.

The realised projects (period 2000-2003) have resulted in:

- New products (34%);
- New materials (4%);
- Introduction of own technologies-new technological procedures (18%);
- Set up of new technological lines (2%);
- Improvement of existing technological processes (26%);
- Rationalisation of production (5%);
- Improvement of living quality (11%);
- Increased competitiveness at the domestic and foreign markets.

Along with the support from the German Government, resulting from the bilateral German-Macedonian technical cooperation, the project for Technology Transfer has been realised.

The project includes the German Association for Technical Cooperation (GTZ), Ministry of Economy, and certain research-development institutions from Macedonia. The objective of the project is to promote political dialogue for technological development and establishment of efficient institutions for transfer of technology, thus significantly improving the cooperation among research-development institutions and SMEs in the Republic of Macedonia.

Four centres for transfer of technology have been opened at the Faculty of Electrical Engineering, Faculty of Mechanical Engineering and Faculty of Agriculture, as well as the Faculty of Technical Science - Bitola. So far, these centres have assisted around 50 enterprises in the area of the new technology.

The document "National Policy for Technological Development" is being prepared, and should be adopted as a Governmental development document in the area of technology transfer, as precondition for competitive SMEs.

The Norwegian project SME-ART, which is realised by SINTEF, supports projects for application of scientific research in the SME sector, as well as linking of Macedonian scientific workers with the small business. However, results are not much visible.

A Study for establishment of a technology park in Bitola has been prepared within the “Large-Scale Socio-Economic Development Projects” project. The study was prepared by institutions and technological parks from Northern Greece. For the purpose of future realisation of the Project, foundation “Technological Park” – Bitola has been established, comprised of municipality representatives, Bitola University etc.

2. What initiatives have been taken to promote technology transfer from research institutes to SMEs?

Through co-financing of programs for technological development and technical culture, the Ministry of Education and Science has continually urged direct cooperation between science and economy, for the purpose of putting science into the function of resolving concrete development problems in the economy. In that sense, there are types of know-how transfer and scientific experiences transfer to the economy, in order to build and promote development based on know-how.

The projects/programs that are carried out by commercial entities (most of them small and medium enterprises), in cooperation with higher education institutions in the country, have the objective of making new technologies and products to be recognized as trade mark of these enterprises. The goal is to create high-quality products and services, which can be competitive at the wider market.

The establishment of technological nuclei along several bases has also been encouraged. Initially, the commitment has been to establish them at the faculties, but the establishment of these forms of organization will be also encouraged in the economy, in order to facilitate the transfer of technologies to small and medium enterprises.

Innovative society is also assisted through co-financing of innovative proposals and programs, and through development of innovation centers.

The Ministry of Education and Science has supported and stimulated forms of public presentation of research achievements, the purpose of which is development, through competitions, exhibitions of innovations, fairs etc in the country and abroad.

Centers for Technology Transfer, located at the faculties, organize seminars and meetings, where entrepreneurs acquire the necessary knowledge or information from several areas – technical, technological, financial etc.

3. How would you assess progress in enhancing inter-firm co-operation and clustering? Which significant initiatives have been or will be introduced in this field?

The Macedonian Government, in cooperation with the USAID, implements the “Macedonia Competitiveness Activity”. Four clusters have been established (lamb and cheese, tourism, information technology, and wine). The fifth cluster for textile was recently established. All new entities that are interested in participating can become full pledged members. One of the most visible results of the clusters’ activities is the strengthening of the cooperation among entities, which has contributed to the creation of more competitive products and services.

According to the producers’ interest, new clusters are to be established in the near future.

The GTZ Project “Private Sector Promotion” assisted in the establishment of several professional associations of different producers in the area of food production and processing (apiarists, food producers etc).

Part of the assistance for SMEs within the new CARDS Multi-Annual Indicative Programme 2005-2006 will aim at providing non-financial services in the part of creation and development of clusters following the successful USAID projects.

1. E-business and small business support

1. What kind of policy initiatives have been taken to help SMEs to go digital?

In the frameworks of the Programme for utilization of funds from the supplements paid by business entities when importing or exporting products, goods and services, a co-financing of SMEs for opening of their own web sites is envisaged.

The Macedonian Chamber of Commerce has the capacity of promoting SMEs on its web site, while the Agency for Promotion of Entrepreneurship can make such announcements on the Business Cooperation Network (BCN), which covers the region of former Yugoslavia.

The Program of measures and activities for entrepreneurship promotion envisages a project for digital networking of centers for entrepreneurship promotion (which have databases for their users) with the SME Observatory, as well as digital networking with the Euro-Info Correspondent Center (EICC).

The National Strategy for Development of Information Society is being prepared, and should be completed by the first half of 2005. The Strategy's main objective is to formulate the vision until 2007. An Action Plan will also be prepared, which will be implemented by a working group comprised of eminent experts in the field of information technology, private businessmen, MPs, as well as representative of the UNDP and Foundation Open Society Institute Macedonia, who will financially and programmatically support the project.

Significant contribution towards the SMEs digitalization has been expected from the upcoming liberalization of telecommunications market, which will result in reducing the costs and increasing of the scope and diversification of the services supply in the part of information technologies.

2. To what extent is the legal framework for e-commerce in place? Please distinguish between digital signature law and other measures.

The Law on Electronic Data and Electronic Signature ("Official Gazette of RM" No. 34/01, 06/02) regulates the electronic activities, which include the use of information and telecommunications technology, use of electronic data and electronic signature, as well as in judicial, administrative procedures and payment operations.

The legal framework for electronic trade does not exist yet.

3. To what extent have small enterprises adopted ICT and e-business models (usage of ICT, having web access, own web-site, making e-commerce purchases and sales)? What are the main barriers SMEs are facing to adopt ICT and e-business models?

Macedonia has one of the best telecommunications infrastructures in Southeast Europe. A total of 7 official suppliers/providers are active, and there is no problem in acquiring an Internet access, even in the most distant and rural areas. The widespread technology is in a stage of development.

The use of the possibilities of electronic trade and information technology (IT) among SMEs is insufficient. There is no reliable/official statistic on the number of computers the enterprises use during everyday work, or how many of them have web sites or use electronic trade. At the moment, the total number of subscribers' amounts is over 40.000, only a small number of which are SMEs.

It is considered that there are only 300 commercial web sites, only 10% of which are regularly updated.

The first Macedonian banks that introduced on-line banking service have recently offered their product. The current clearing arrangements for credit cards of Macedonian banks prevent their acceptance through the Internet in direct transactions of Macedonian enterprises, thus marginalizing electronic business activities.

The USAID project “E-Lead” envisages assistance for Macedonian entrepreneurs, who work with information and communication technology (ICT) for establishment of “electronic-business centers”, which will create software solutions according to SME needs. The assistance will be aimed at business planning and creation of adjustable solutions for specialized industrial clusters/zones/areas, as well as identification of the strategic possibilities and problems that SMEs are faced with.

Besides the obstacles that refer to the legislation, one can also mention the technical lack of equipment of SMEs, insufficient knowledge and skills, high expenses for telephone lines.

4. How would you assess the availability of business support services/centres? How do you assess the take-up of these services by SMEs?

The general assessment is that the availability of business support centers is much better than 5-6 years ago, but it is still not sufficient to meet the growing needs of the SME sector. Different types of centers are still missing (research centers, development centers, technological parks, IT business incubators), and part of the existing ones are in an initial stage of their work (EICC, Agency for Promotion of Entrepreneurship, local development centers, E-BIZ centers, BCN, clusters).

The Macedonian Government allocates symbolic funds in the budget for co-financing of projects, which would be implemented through the network of centers for SME support.

Entrepreneurs are insufficiently informed on the work of the existing institutional infrastructure for SME support.

Often, the demand for services is not coordinated with SME needs.

For more details see [16 II B 4](#).

J. Representation of SMEs

1. How many organisations representing SMEs exist at national level? List the main organisations and provide information on their coverage (specific sectors or types of companies, specific purpose of the organisation) and indicate how representative they are (membership as percentage of total number of companies).

The Macedonian Chamber of Commerce is the only chamber at national level, which represents the businessmen's interests. Chamber membership is no longer compulsory. Two years ago, mainly for the purpose of demonstrating commitment to change, the Chamber established a special body/centre for small economy, which assists small enterprises in providing advice and information. Still, the number of enterprises that use the services of this centre is small.

Furthermore, there are artisan associations, which include approximately 7.000 members.

An Association of Independent Chambers of Commerce has been established (600 members), aiming to better representation of SME needs, as well as establishment of better economic environment for SME development. This association is in its initial phase and efforts are made in terms of establishing it as a represent of the members' interests and partner for dialogue with the Government.

In June 2003, the Ministry of Economy, in cooperation with the USAID project “Macedonia Competitiveness Activity”, organised the establishment of a National Entrepreneurship and

Competitiveness Council, comprised of members from the private, public and civic sector. The Council is comprised of 23 members, 5 of whom are ministers, while the others come from the private and civic sector.

Several private business associations/foundations were also established in recent years in different sectors and geographical areas. However, they are still small, and do not have sufficient financial and other resources by which they could direct themselves toward providing concrete services for their membership. There is a need of serious efforts to enable their active involvement in making the right decisions in the area of economy.

2. Are they established throughout the whole territory?

The Macedonian Chamber of Commerce has 17 regional chambers throughout the country. There are also 17 artisans associations, with around 7.000 members. The new Law on Artisanry provides the possibility of their transformation into Artisans Chambers (regional or municipal), as well as the possibility of establishing a joint chamber at the national level.

3. Is their participation in the policy-making process established? Is it formalised by law or any other means? Please mention a practice in this area (e.g. quote a consultative body/advisory council, etc).

The Macedonian Chamber of Commerce and Artisans Associations are actively engaged in the process of policies' creation, and lobby for the benefit of enterprises. However, there is no formulated law, an advisory body or council, beyond the already established Chamber bodies.

The National Entrepreneurship and Competitiveness Council includes SME representatives, who actively take part in the policies' creation.

4. Are SME organisations represented in the social dialogue?

The social dialogue is realized through tripartite discussions among the Macedonian Government, the Association of Trade Unions, and the Chamber of Commerce (employers).