

FYROM's fact sheet in a nutshell:

- ✓ SBA profile patchy due to lack of data: however, in the areas for which data is available FYROM trails the EU average
- ✓ Best performance is in "Entrepreneurship"
- ✓ Except for "Second Chance", FYROM initiated policy actions in all 10 SBA areas

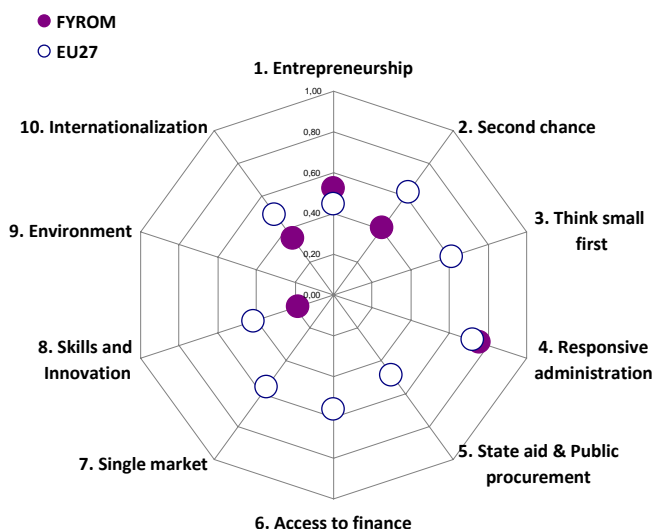
About the SBA Fact Sheets:

The Small Business Act (SBA) is the EU's flagship policy initiative in support of Small and Medium sized Businesses. The annually updated fact sheets contribute to a better understanding of recent trends in the SME environment and policy on a national level.

1. SMEs in FYROM- basic figures

No SME data comparable to the Eurostat definitions was available for the production of this fact sheet. Consequently, the first section of the SBA fact sheet for FYROM remains empty.

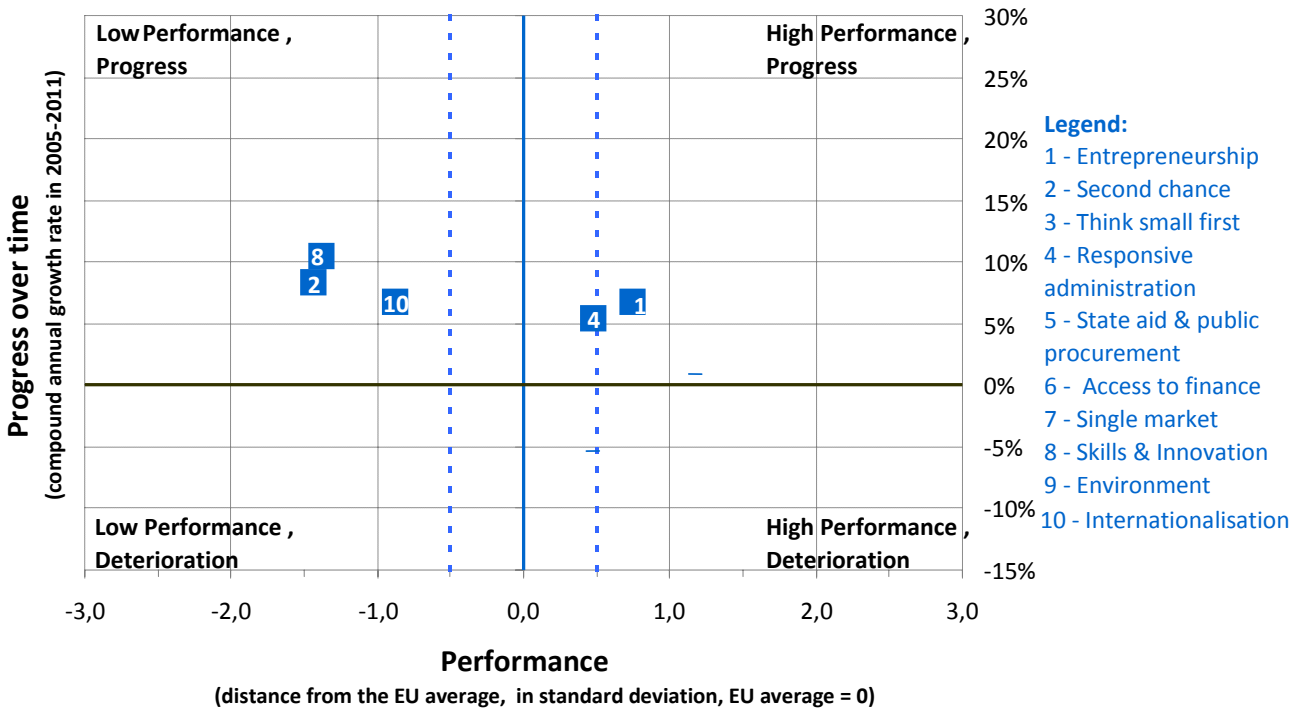
2. The SBA profile of FYROM, 2011¹



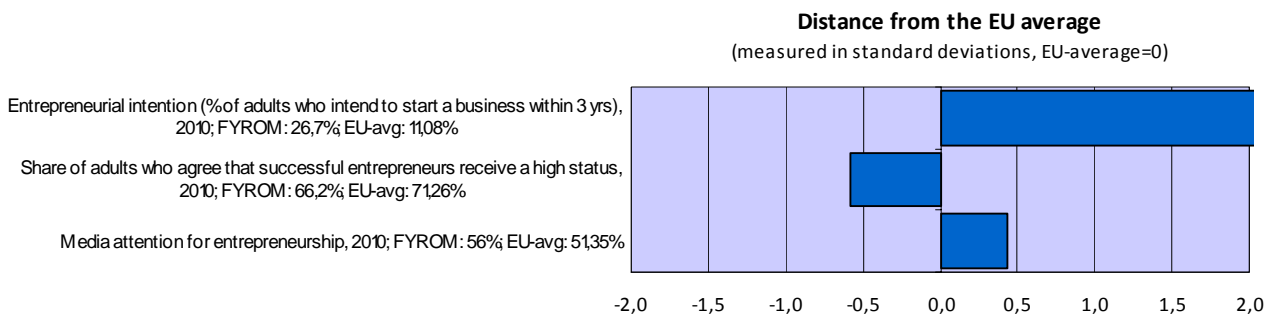
FYROM's profile is based on a much more narrow database than those of the EU Member States. It is still possible to calculate and depict some sectoral averages. However, there are many "empty" SBA areas due to a complete lack of data. In addition, for those SBA areas

where an sectoral average score could be calculated, these were mostly based on a smaller number of indicators. This has to be kept in mind when analysing FYROM's SBA profile. For instance, the one area where FYROM appears to perform above the EU-average- "Entrepreneurship" consists for FYROM only of three of the usual eight indicators for this area. Notwithstanding, the data limitations, however, the profile shows clearly FYROM backlog in bringing conditions up to the EU-average level in most SBA areas. The good news is, that, as depicted in the quadrant chart, there has been progress in most SBA policy areas. Except for "access to finance" where, incidentally, also almost all EU-27 Member States saw a deterioration, in the remaining SBA policy areas FYROM experienced significant growth rates of the annual averages for the period 2005-2011. On the policy side, in 2010-2011, Former Yugoslav Republic (FYRoM) of Macedonia initiated actions in all SBA areas, except 'Second chance'. Some actions may fit under more than one SBA principle.

FYROM's SBA performance: Status quo and development over time, 2005-2011ⁱⁱ



I. Entrepreneurship



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.

The data situation in this area is very poor, with only three out of potentially eight indicators available for FYROM: The available indicators do not show a pattern. It is encouraging, though, that the share of the adults in the country who intend to start a business within the next three years is considerably above the EU average (26,7% to 11%).

On the policy front, In 2010, numerous in-service teacher trainings on entrepreneurship and business planning have been conducted in order to ensure that the importance of entrepreneurship is correctly reflected in teacher training.

Regarding pre-service teacher training new study programmes for preschool and primary school teachers incorporate 2.835 lessons of compulsory subjects, including lessons for practical teaching and 720 lessons of elective subjects which enable flexible approach according to the interest of the candidates. The future teachers are supposed to gain both general and specific competences. In addition, in 2010, within a frame of the programme for Support of Entrepreneurship, Competitiveness and Innovation Development of SMEs, the Agency for

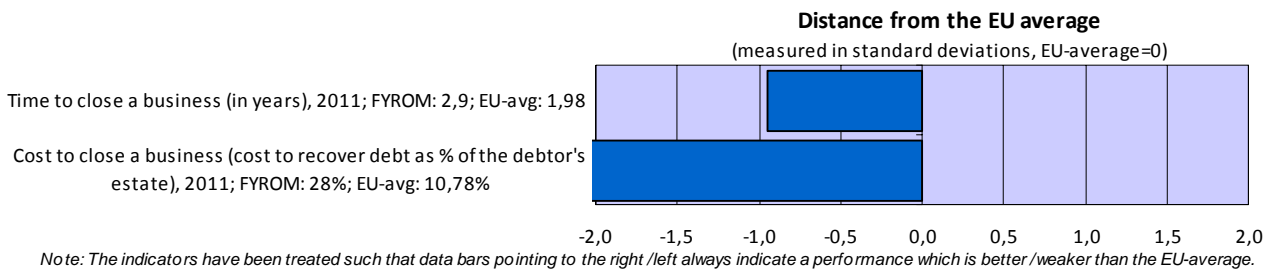
Supporting Entrepreneurship in FYR Macedonia (APPRM) has implemented the following activities:

- three workshops for entrepreneurship promotion and business plan development aiming at young people have been conducted for 150 students;
- three training courses based on the training needs analysis have been conducted;
- three regional presentations of the draft version of a the SME program have been delivered to the entrepreneurs throughout the country;
- three workshops for ICT were held in June 2010. Representatives of 64 SMEs were introduced to using ICT tools for better promotion, improving customer relationship and managing business information.

Also, in 2010, within the Programme for Entrepreneurship, Competitiveness and Innovation Development of SMEs implemented by the Ministry of Economy, two business incubators and 14 business centers were provided financial support for delivering basic trainings for start-up business, organizing fairs, promotion of entrepreneurship, organizing B2B meetings, providing consulting services and networking.

For 2011, in order to contribute for reducing the gender gap in the field of entrepreneurship in its Program for entrepreneurship, competitiveness and innovation development of SMEs, the Ministry of Economy foresees support of female entrepreneurship through co-financing of projects implemented by Business Centres for SME support.

II. Second chance

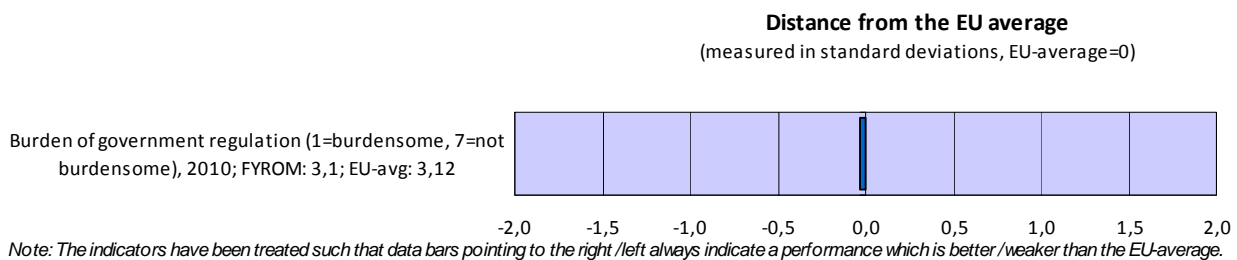


"Second Chance" is one of the areas where FYROM Austria performs below the EU-average. The reason for this are the higher costs and longer procedures for closing a business in FYROM as compared to the EU average: the costs stand at 28% of the debtor's estate) versus only about 11% for the EU overall. Also, it takes about a year longer to wind down a business in FYROM

than in the EU. Both make a potential restart fro an entrepreneur more costly and complicated.

On the policy side, no significant measures were reported in this area in 2010 and the first trimester of 2011.

III. Think Small First



There is too little information available for FYROM in this area to calculate an average area score. The only indicators at hand, businesses' assessment of the general

burden of government regulation, sees FYROM in line with the EU average.

On the policy side, the following measures were initiated by the Government:

In 2010, the Agency for Electronic Communication in collaboration with Association of Units of Local Self-government (ZELS), ministry of transport and links, Ministry of information society and Ministry of Local Self-government, has organized workshops for development of the single national electronic register of regulations (ENER). ENER is electronic system that contains legislative proposals of the ministries in phase of preparation as well as existing regulations in the FYR Macedonia. It is a tool intended primarily for electronic way of information of the citizens, along with representatives of NGOs, chambers of commerce, business associations and entities, representatives of government and of individual ministries. This system contributes to the principle of consulting stakeholders, including SME organizations for at least 8 weeks prior to making any legislative or administrative proposal that has an impact on businesses. As of 27/02/2011 in total 1.659 regulations, out of which 78 laws are in the process of adoption and

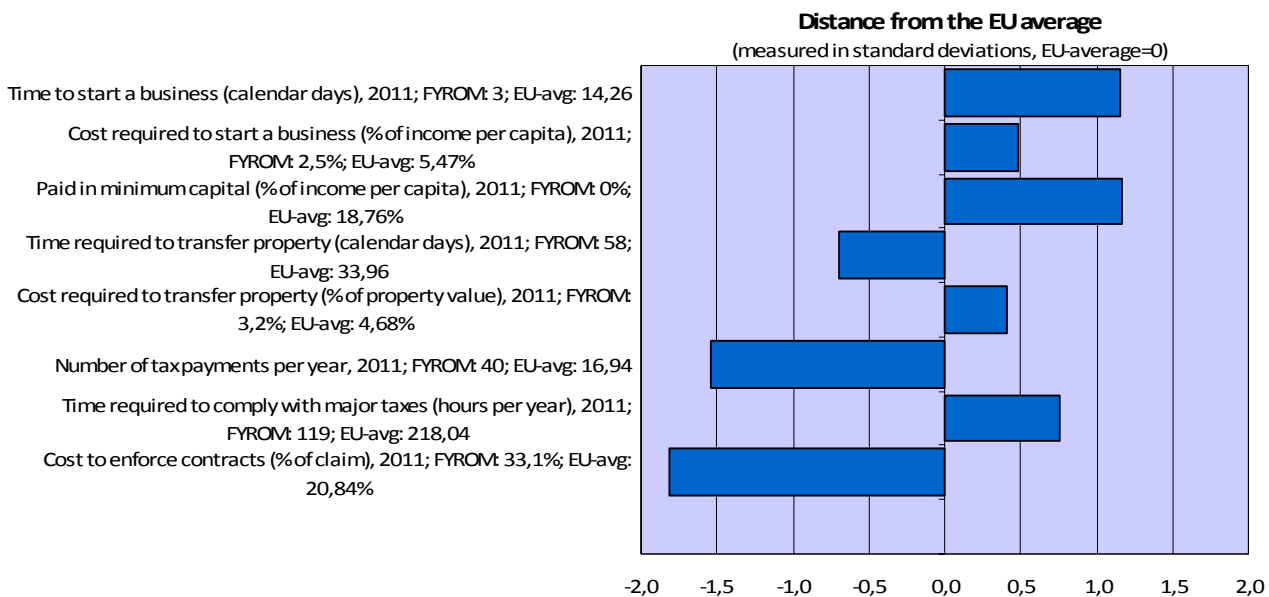
have been published at the single national electronic registry of regulations.

Also, in September 2010, the Government of FYR Macedonia has adopted 46 measures for improving the business environment in FYR Macedonia. These measures were based on 88 proposals, received by 210 companies through fulfilled questionnaires.

Moreover, with the conclusion of the Government of FYR Macedonia starting from January 2011 for every new SME related regulation, obligatory opinion from the Chamber of Commerce is needed.

Finally, in January 2011, a working group for promoting business dialog with the private sector has been set up, with a main task to promote dialog with the business community in order to identify main challenges for the SMEs, to discuss about issues relevant for SME development and to propose measures for improving the business environment. Besides the SMEs, members of the working group also included 12 representatives of the Ministry of Economy..

IV. Responsive Administration



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU average.

This area is rather well documented by statistical data for FYROM. Nonetheless, the available indicators do not combine for a coherent picture. The area profile consists

of some above average performances. On the plus side, there are in particular the indicators describing the start-up conditions. It takes much less time (3 to 14 days) and is

half as costly (2,5% to 5,5% of income per capita) to start a business in FYROM than in the EU on average. Also, the requirements as regards paid-in minimum capital (as % of income per capita) is also much more conducive to setting up a company in FYROM than in the EU overall (nothing versus almost 19% in the EU). On the downside, FYROM trails the EU average with some margin on indicators measuring the day-to-day condition in which SME do their business. Hence, the costs for enforcing contracts in relation to the total claim sum (33% to 21% for the EU) were among the highest for all 37 countries covered by this exercise. It also takes much more time to transfer property in FYROM than elsewhere in the EU (58 to 34 days).

Policy wise, Between April and December 2010, the Government, launched the One-stop-shop Phase 2, with a support of World Bank loan on business environment improvement project. As of march 2011, complete online

registration of a company in particular LLC and single member LLC is possible by using of a credit card user-friendly application for registration through the internet. To accomplish One-stop-shop Phase 2 goals, appropriate amendments were introduced in both material and process law relating to business start up procedure. Firstly, Law on amending the Law on One-stop-shop was drafted aiming not only the complete electronic procedure for business registration, but also electronic submission of application for new employment. The most prominent aspect was introducing electronic decisions on entry into registers exported and distributed by the Central Register. The amendments allowed for all documents and particulars related to business to be submitted electronically.

V. State aid and Public procurement

There was no statistical information available for FYROM in this SBA area.

When it comes to policy measures, in 2010, the Government initiated a number actions:

In January 2010 the Public Procurement Bureau (PPB), institution under the Ministry of Finance, has established Electronic System for Public following the principle of improving the access to information on public procurement opportunities below the EU thresholds. The main objective of this system is to facilitate the operations of contracting institutions and economic operators and to improve the efficiency of public procurement procedures.

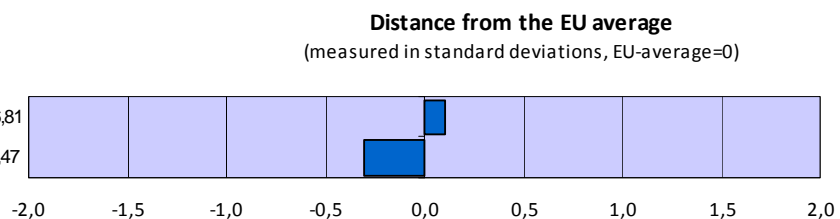
In 2010, PPB has also developed a new concept of e-auctions, when the criterion for the most economically

advantageous tender is used. It means that the contracting authorities will be able to select this criterion, in addition to the currently allowed lowest price criterion for the contract award procedures that will end with e-auction. The implementation of e-auctions has started from January 2011.

Finally, in 2010 the Public Procurement Bureau, has elaborated Strategy for developing the system of public procurements 2010-2012, which sets a base for encouraging the constructive dialogue and mutual understanding between SMEs and large buyers. A special chapter in the Strategy is focusing on educations/training for public procurements.

VI. Access to finance

Strength of legal rights, 2011; FYROM: 7; EU-avg: 6,81
Depth of credit information, 2011; FYROM: 4; EU-avg: 4,47



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.

There is hardly any data available for FYROM in the area of "access to finance". The strength of legal rights and the

depth of credit information, i.e. conditions that support creditors' confidence lending their money to enterprises

are the only indicators available and they are in line with the EU-average.

Policy wise in 2010, the Government of FYR Macedonia has made operational the credit line of €100 mln from European Investment Bank. The mechanism of its allocation goes through the Macedonian Bank for Development Promotion (MBDP), which distributes the

funds to the final beneficiaries through the commercial banks. Although the credit line does not specifically address SMEs' needs, most of the final beneficiaries are small companies with up to 50 employees and medium companies with up to 250 employees. This credit line was realized through six tranches, supporting 266 projects in total amount of €74.15 mln.

VII. Single market

There was no statistical information available for FYROM in this SBA area.

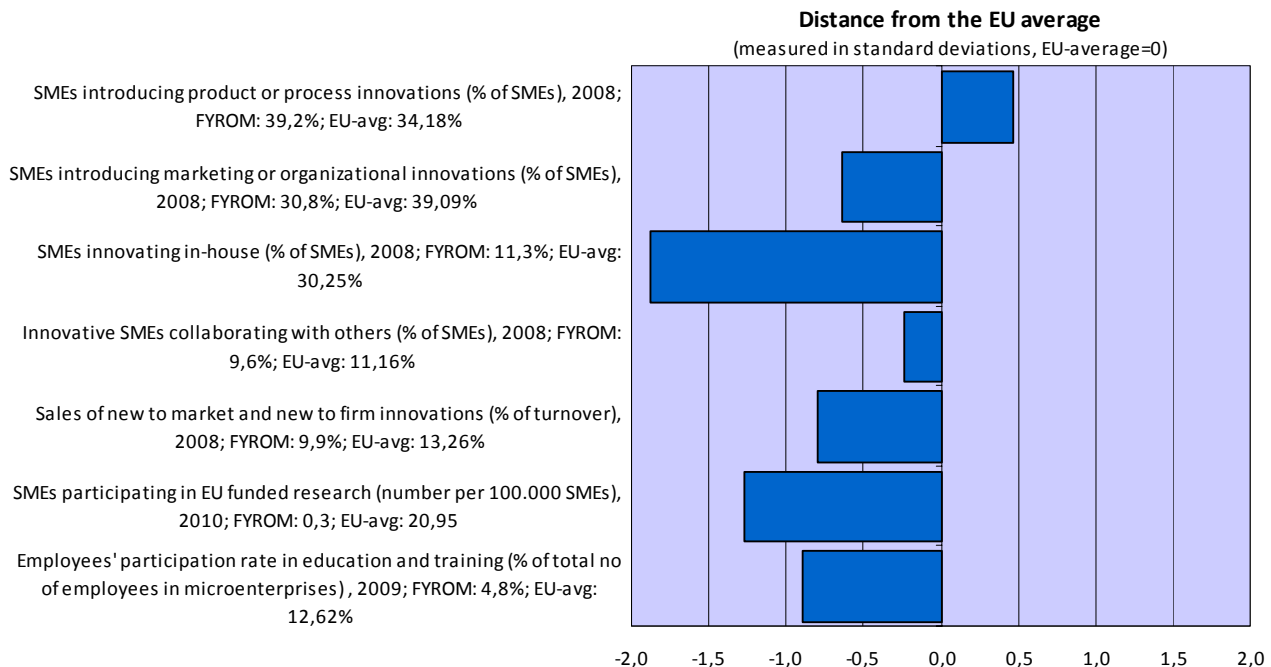
On the policy side the Government in the FYROM has been initiating the following measures:

In December 2010, as part of its measure for supporting export promotion through improvement of the legislation, the Law for changing and amending the Law for Commerce was adopted, by the Ministry of Economy. With the changes made in the law, FYR Macedonia has fulfilled the criteria for full membership in EU in the part of free movement of goods.

In 2010, the negotiations between CEFTA countries for liberalization of agriculture were finished. Together with Albania and Moldova, FYR Macedonia has achieved total liberalization, except for the wine.

In the first half of 2011 the Regional Convention for Pan Euro Mediterranean preferential rules for origin of the goods will be signed. With this FYR Macedonia together with other 47 countries will be included in the Pan European accumulation. In the future no rules for the origin of the goods will be part of the contracts, but instead standardized rules for origin will be used.

VIII. Skills and innovation



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.

This is one of the few areas where FYROM's performance is covered by a relatively large number of indicators. With one exception they all tell the same story. The conditions in FYROM are still by some margin off the EU average. With the exception of the "SME introducing product or

process innovations" all the "core" indicators measuring the capacity of SME to innovate are clearly below the EU average. The area of most concern must be the share of SMEs innovating in-house which stands at a lowly 11% for FYROM while the EU average is 30%. Also, the one

indicator describing the performance of FYROM's SMEs in the area of training is below the EU average. Less than 5% of employees in micro-enterprises participated in education and training as opposed to almost 13% EU-wide.

To meet the challenges in this area the Government implemented a long list of measures:

In 2010, the Ministry of Economy has elaborated the Programme for Support and Development of Cluster Associations with a main objective of encouraging the SMEs to internationalize and become high growth enterprises through participation in innovative clusters. The following activities have been implemented with overall budget of €49.000:

- 2 clusters were financially support (Automotive cluster and Tikves wine road);
- Cluster guide was prepared and printed with financial support of GTZ; and
- 5 workshops for increasing the awareness of clustering were held in cooperation with Centres for Regional Development

Also, in 2010, the Ministry of Education and Science (MES) in accordance with the Law for stimulating and support of technological development and the Program for implementation of scientific- research activity and technology-technical development in the FYR Macedonia, has implemented the following measures:

Co-financing innovative and research projects through publishing public call for proposals. Out of 55 received project proposals, 26 R&D and innovation projects have been selected for co-financing in amount of €245.000. The projects are short-term and have been developed as a result of the mutual cooperation between the economy and the science.

Supporting projects/programs of the Association of inventors and authors of technical improvements of Macedonia (SPATUM), Regional Innovation Centre in Stip and manifestation MAKINOVA 2010.

Co-financing two EUREKA projects, as support to research and business sector for inclusion in the joint, sustainable, market oriented, innovative and development projects, that are implemented in cooperation with countries members of EUREKA (total support in amount of €39.000).

In addition, with the financial support from the Business Environment Reform and Institutional Strengthening (BERIS) project, the Innovation Score Board for FYR Macedonia was developed for the first time in 2010. It is a document which represents a methodological exercise aimed primarily at providing methods and tools for the future implementation of a Macedonian EIS, to provide summarized and robust evidence, which raises public awareness, supports a political debate and gives policy makers hardcore evidence, as one fundamental input for policy making. The indicators in this document will be used as input and directions for implementation of the innovation policies in the forthcoming period.

In February 2011, the European Innovation Matrix and the Matrix of the Innovation Union for the FYR Macedonia 2010 was promoted.

Also, in 2010 the Agency for Promotion of Entrepreneurship of the Republic of Macedonia (APPRM) with cooperation with the regional centres and the National Centre for development of the innovation and entrepreneurial studies have organized two workshops for presentation of the innovation processes in Skopje and Ohrid. The training has contributed towards increasing the awareness and improving SMEs' knowledge of innovation tools and processes.

In 2011 the Ministry of Economy for 2011 foresees:

Realisation of the Innovation policy for the Republic of Macedonia 2012-2020 Project financed by the OECD. Operational activities of the Project are underway and the document will be prepared in the course of 2011. The aim of the Innovation policy is to:

Strengthen Macedonian companies through commercialization of R&D, implementation of new technologies and improvement of innovative thinking and the entrepreneurial spirit;

Strengthen the cooperation between the academia and industry;

Provide favourable climate for preventing brain drain and to keep graduates in science and technology in the country;

Strengthen the capacities of public institutions that are dealing with science, technology and innovation.

Realisation of the Program for implementation of Industrial Policy for 2011 that includes co-financing part of the costs of the companies for:

Capacity building and improving competitiveness
-in total amount of €50.000
Market development in total amount of €40.650;
Technology development in total amount of
€40.650;

Capacity building of human resources related to
technology development and introduction of new
technologies.

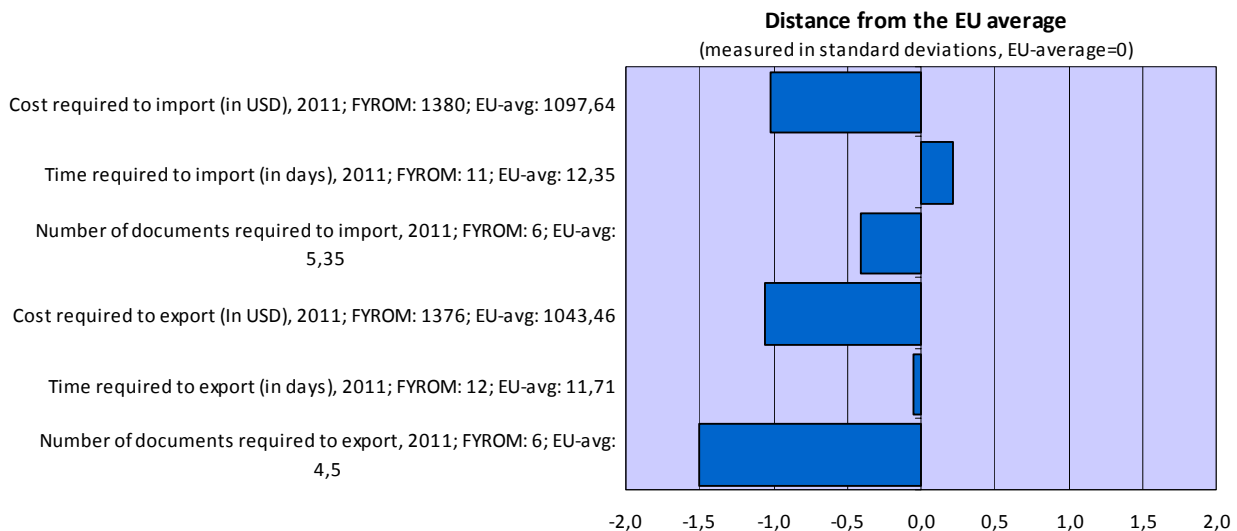
IX. Environment

There was no statistical information available for FYROM
in this SBA area.

Policy wise, for the 2011 the Program of the Ministry of
Economy foresees the co-financing of:

Part of the costs of the companies for environment friendly
production processes;
Costs for certification of systems for ISO quality standards;
Introducing and maintaining the HACCP quality system;
Costs for international registration of patents.

X. Internationalisation



Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.

There is no data available as regards FYROM's SMEs trade performance. However, the indicators describing the administrative environment for ex- and importing from and to third countries outside the EU are almost all below the EU-average. Particularly critical are the cost indicators. The costs for exporting (USD 1376 versus USD1043) and importing (USD 1380 versus USD1097) are considerably higher in FYROM as compared to the EU on average. Partially, this may be triggered by the higher bureaucratic efforts that are required, as, for instance, measured by the number of required documents which are higher for both ex- and importing for FYROM.

On the policy front, in 2010 the Agency for Promotion of Entrepreneurship of the FYR Macedonia (APPRM)

through European Informative and Innovative Center (EIIC) has supported internationalization of SMEs through supporting organization of the following business events as Trade fairs:

Fruit Logistica 2010, Berlin Germany;
SEE Auto Compo Net in Kraguevac, Serbia;
International Fair for entrepreneurship MOS 2010;
Business meetings with entrepreneurs from Slovenia, Greece, Serbia, Turkey.

In 2011, the Export Promotion Strategy and Recommendations on Reconstructing Invest Macedonia will be adopted.

3. Good practice

To illustrate the efforts of the government to promote SMEs, the statistical information of the fact sheet is enriched by an example of a good practice in SME policy.

Within a framework of the realized measures for improving the business and investment climate, the Ministry of Economy in a partnership with the Central Registry of RM has implemented the Project for one-stop-shop- phase 2, with financial support of the World Banks' BERIS Project.

After significant achievements have been made with regard of the start-up conditions in 2009, in 2010 this project has contributed towards achieving progress in segments such as, online registration of companies, registration of employees and registration, leasing and pledge contracts.

Within the project a new electronic solution has been designed, developed and implemented, for fully integrated electronic registration of companies, pledge, leasing, electronic recording of bankruptcy procedures and registry of disqualified managers and founders.

To accomplish One-stop-shop Phase 2 project objectives, appropriate amendments were introduced in both material and process law relating to business start up procedure. Firstly, Law on amending the Law on One-stop-shop was drafted, aiming not only at the complete electronic procedure for business registration, but also at electronic submission of application for new employment. The most prominent aspect was introducing electronic decisions on entry into registers exported and distributed by the Central Register. The amendments allowed for all documents and particulars related to business to be submitted electronically.

The following results have been achieved by the One-stop-shop Phase 2:

Full integrated online registration, administration in business start up without physical need for physical presence;

Submission and distribution of data electronically from and to the registries;

Cutting the administrative formalities and reducing the costs by enabling online registration;

Shortening the time for registering, leasing and pledge contracts;

Providing complete, accurate and precise information on micro and macro level in terms of all bankruptcies in FYR Macedonia;

Establishing information and infrastructural framework for future establishment of extensible XML business reporting language in interchange of financial and business related data .

The achieved results contributed towards improving the business environment, through creating more efficient electronic registration, management and closing of business, improving the e-infrastructure and improving transparency and efficiency of bankruptcy procedures, protection of the business community of doing business with disqualified managers and founders.

About the SBA fact sheets

The Small Business Act (SBA) fact sheets are produced by DG ENTR as part of the SME Performance Review (SPR) which is its main programme for economic analysis of SME issues. The SBA fact sheets combine the latest available statistical and policy information for the 27 EU Member States and another 10 non Member States which also contribute to the EU's Competitiveness and Innovation Framework Programme (CIP). The fact sheets - produced annually- help to structure the available information so as to facilitate assessments of the SME policy assessments in the framework of the SBA implementation monitoring. The fact sheets refrain from policy evaluations, but are to document the status quo and progress in the different SBA areas. The SBA Fact Sheets are not standalone instruments. They do not constitute a comprehensive assessment of Member States' policies and should be regarded as a supplement to, and not a substitute for, available national publications. A good example for this is the policy information contained in the fact sheets: the fact sheets cite only those policy measures that were deemed by local SME policy experts of being of particular relevance.

They do not -and cannot- reflect all measures undertaken by the government in the particular period of time. As a complement to the fact sheets additional policy information can be found on a database also located on the SPR-website. Please refer to the methodological note when reading this SBA Fact Sheet.

For more information

SME Performance Review:

http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm

Small Business Act:

http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm

The European Small Business Portal:

http://ec.europa.eu/small-business/index_en.htm

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¹ The SBA radar chart plots for the different SBA areas the relative position of an individual country vis-a-vis the respective EU-wide area average. The individual values represent averages across all available indicators for this area. The scaling range is from "0" (minimum or "worst in the -EU-27- class") to "1" (maximum or "best in class"). The EU-average is located between those extremes and plotted as a grey band in the chart.

ⁱⁱ The quadrant chart combines two sets of information: firstly it shows on the status quo performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for EU-27. The vertical corridor marked by the dotted lines defines the EU-average. Secondly, it reveals the progress over time, i.e. the average annual growth rates for the period 2005-2011. The growth rates are those of the individual which the different SBA area averages are made up of. Hence, the location of a particular SBA area average in any of the 4 quadrants, provides not only status quo information about where the country is located in this SBA area relative to the rest of the EU at a given point in time, but also to what extent there was an improvement in the period 2005-2011.