## ANNEX I –IPA III Action Fiche

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|  | Indicative title of the Action | **EU FOR GREEN GROWTH** |
| CRITERIA FOR RELEVANCE ASSESSMENT | Key thematic priority | **WINDOW 4: COMPETITIVENESS AND INCLUSIVE GROWTH**  **Thematic Priority 2: Private sector development, trade, research and innovation** |
| Links with specific policy instruments of the enlargement process | The Action will improve the competitiveness of the North Macedonian economy, through boosting the innovation capacity of the enterprises, supporting their transition to climate neutral economy and facilitating the implementation of EU standards. It will provide grant co-funding for North Macedonian enterprises working for industrial innovation and circular economy, clean buildings, energy and mobility, sustainable land use and nature, and willing to apply the EU internal market standards. The Action will also strengthen the capacity of the national Fund for Innovation to serve as a driver of the green recovery. The EU investment will support the implementation of the EU *Acquis* under Chapter 1: Free movement of goods, Chapter 2: Free movement of services, Chapter 20: Enterprises and Industrial Policy; Chapter 25: Science, Research and Innovation and Chapter 27: Environment.  The Action will contribute to addressing the recommendations of the **2019 Commission Report on North Macedonia[[1]](#footnote-1)** by investing in systematic, sustained effort to raise skills in domestic companies, upgrade the methods and technologies, and support a smart economy based on national research and innovation strategies and policies.  In line with the Commission Communication **“A credible enlargement perspective for and enhanced EU engagement with the Western Balkans”[[2]](#footnote-2),** this Action will support for socio-economic development, by crowding in funds for the transition to a more sustainable private sector. Focus will be put on competitiveness of the region’s economies by improving the access to finance and boosting the growth potential of small and medium-sized enterprises.  The Action will significantly contribute towards the implementation of the **Stabilisation and Association Agreement (SAA)** through promotion of the implementation of the internal market standards and investing in small and medium-sized enterprises (SMEs).  The Action addresses recommendations of the Conclusions of the 16th meeting of the Subcommittee on Innovation, Information Society and Social Policy of the SAA, held in March 2020, as follows:   * The national authorities will strengthen investments in research and innovation beyond 0.36% of GDP. The national authorities will continue to encourage private investments in research and innovation. * The national authorities will take urgent measures to identify problems and improve Horizon 2020 performance. * The national authorities will intensify the work on developing a Smart Specialisation Strategy. |
| Links with national, regional and global strategies | The Action is line with the national, regional and global strategies in the field of private sector development, trade, research and innovation, namely:   * **Economic Reform Programme (ERP) 2020-2022,** which defines 16 measures, related to structural reforms, including business environment and reduction of informal economy, R&D&I and trade related reforms in order to support the growth and competitiveness of the country. The ERP is a key strategic document presenting the national economic policy of the country and the agenda of key structural reforms and measures. The Programme is in line with the EU Strategy for fast, sustainable and comprehensive economic development “Europe 2020”, as well as the related SEE 2020 Strategy “Jobs and Prosperity in a European Perspective” of the Regional Cooperation Council. * **Economic Growth Plan 2018-2022,** whichdefines the path for further economic development through increasing employment, efficiency, productivity and competitiveness of the private sector; increase of exports and regional economic cooperation, based on principles of neutrality, non-discrimination and equal treatment of domestic and foreign investors. * **Strategy for Competitiveness 2016-2020** and **Innovation Strategy of the Republic of North Macedonia 2012-2020.** Although outgoing, these strategies define the country’s goals and objectives, which will be transferred to the next generation of competitiveness strategy (under preparation) and upgraded to include the green recovery of economy after COVID19. * **National Small and Medium Enterprise Strategy 2018-2023.** ThisStrategy establishes a framework for public, private and civil society actors to collaborate in improving the competitiveness and innovation in the SMEs. The SME Strategy encompasses three Strategic Objectives: -Strategic Objective 1-Conducive Business Environment: to create a conducive business environment in which entrepreneurship and investment is encouraged; -Strategic Objective 2-Enhance and improve SME growth opportunities: to help SMEs in North Macedonia to become highly productive and competitive participants in European and other international markets; -Strategic Objective 3-Dynamic Entrepreneurship and Innovation Ecosystem: to drive Macedonian’s economic competitiveness through a more enhancing the entrepreneurial and innovative capacities of the SMEs. * **Industrial Strategy with a focus on the Manufacturing Sector 2018-2027.** The Strategy defines the measures to promote industrialisation by stimulating the growth and development of the manufacturing sector in order to boost productivity, create good jobs, raise incomes and strengthen human capital, while addressing the challenges of the circular economy. This is to be achieved through: - Reinforcing the manufacturing foundation; - Raising manufacturing productivity, innovation and technology transfer; - Catalysing green industry/manufacturing; -Stimulating manufacturing export and – Building a learning manufacturing sector. * **Strategy of Women Entrepreneurship Development 2019-2023**. The overall objective aims at economic strengthening of women, by creating favourable business climate and providing support to the development of their entrepreneurial potential, which would contribute to the development of existing and opening new enterprises, creating new jobs and thus, strengthening the entire economy. The action will treat women-led businesses with a special attention.   The Action will also contribute to the following European strategic documents:   * **The European Green Deal** has served as a key source of inspiration for this Action, which reflects the principle, objectives and the measures of EU policy but at national level. In Line with this visionary document, the Action aims to put the Macedonia economy and society on a more sustainable path; to make the industries more climate friendly and support the shift to cleaner technologies. Similar to the Green Deal, this Action is expected to contribute to the decarbonisation and modernization of industry, to the use of low-emission technologies, and to a boost of the circular economy. * **A renewed European Agenda for Research and Innovation-Europe’s chance to shape its future[[3]](#footnote-3),** which presents the roadmap for the EU in the next few years for the innovation sector. The Agenda addresses the investment deficit of the EU companies, which spend less on innovation than their competitors; the level of entrepreneurship, venture capital and the average size of funds in Europe, which are too small to allow the European start-ups to become big companies; the R&D intensity, which is still uneven among the EU regions, the still insufficient level of digitalisation due to lack of adequate digital skills of 40% of the workforce in Europe. These needs at EU level have been analysed in Macedonian context and appropriate measures are being designed in the new generation of competitiveness strategy in North Macedonia. The Action is a part of these measures. * **A New Industrial Strategy for Europe[[4]](#footnote-4),** whichaims to boost Europe’s competitiveness through reducing red tape, increasing the access financing and investing in digital and green transitions. These measures have shaped the Action. * **South East Europe 2020 Strategy**, which maps on the need for smart growth, driven by knowledge and innovation and based on its human capital and digitalisation, has served as a source of inspiration for this Action, which is fully in line with the objectives to use Information and Communications Technologies to spur innovation, economic growth, regional competitiveness and improved quality of life, and support the gradual shift to a sustainable economy, based on sustainable and accessible transport and energy infrastructure, a competitive economic base and a resource efficiency. * **The EU Circular Economy Action Plan** aims to accelerate the transition towards a more green growth economic models and strive to reduce the consumption footprint and double the circular materials use rate. The Action is in line with these objectives through investing in more sustainable economic systems, high-quality, safe and affordable products and using the potential of the digital technologies. * The Action is contributing to the objectives of the **United Nation’s 2030 Agenda for Sustainable Development**; more specifically, the action contributes to thematic priority 8. Decent work and economic growth and priority 9. Industry, Innovation and Infrastructure. |
| Coherence with the Sector Approach | The sector strategic framework in the Thematic Priority is well established through the national strategies on competitiveness and innovation and partially – through the ERP. Yet, the country measures for boosting competitiveness, in line with the green agenda, need to be remodelled and further extended beyond 2020 horizon.  The policy dialogue, channelled through the Sector Working Group (SWG) on Competitiveness and Innovation, existing since 2017 is smooth. Chaired by the DPM for Economic Affairs and the Minister of Economy (and other ministers when necessary), the SWG works in an inclusive and participatory manner; it is a the platform to voice also the opinion of the various donors, relevant state institutions and civil society (business associations and chambers) on how the sector develops, how effective are the current policies, how the various donors contribute to the national sector priorities.  The sector benefits of well-established authorities and institutional arrangements which drive and coordinate the reform processes in the private sector development, trade, research and innovation policy areas. Yet, the institutional context is very complex, it involves a number of state and independent bodies with often unclear and overlapping mandates. The role of the Cabinet of DPMEA evolved from a coordinator to a main sector policy maker and main decision-maker as regards state aid to private sector, centralizing both planning and implementing functions. At the same time the mandate, power and responsibilities of the Ministry of Economy shrank significantly, which had also impact on its administrative and institutional capacity. The administrative capacity remains weak and cannot ensure the full implementation of the adopted legislation. It is important that the country addresses the deficiency in the institutional framework as soon as possible. This would involve a thorough revision of the powers and responsibilities of the various authorities and separation of the policy making from implementation, optimization of the institutional set up, closing or re-activation of "sleeping" bodies, re-activation of underutilized institutional capacities. Lack of sufficient staff, adequate level of accountability in the decision-making process and proper staff retention policy are key challenges that are to be addressed at sector level and through the ongoing Public administration reform.  Recently North Macedonia increased it’s **spending on the sector**[[5]](#footnote-5), concretely: - on economic development and financial affairs by 31 % between 2018 and 2020. The total cost of the reforms to achieve full harmonisation with the EU acquis and achieving competitive economy is still to be defined. COVID19 pandemic required urgent governmental reaction and significant increase of funding for business to ensure the survival of most affected enterprises. The COVID19 measures for business survival amount to almost EUR 300 million. Despite this important support, the economic statistics for 2020 shows negative trends on all economic indicators <http://www.stat.gov.mk/Default_en.aspx> |
| Regional dimension | The EU investment in green recovery will support the implementation of the European Green Deal in the territories neighboring the EU and will contribute to decrease of the pollution and fairer use of natural resources on the European continent.  Investing in application of internal market standards will support the export and, since the EU and the Western Balkans are the main economic partners of North Macedonia, will contribute to better linking the national value chains with the EU and regional markets. |
| Indicative budget | | Total budget: EUR 27,500,000  EU funding: EUR 20,000,000  National Funding: EUR 7,500,000 |
| Implementation Modality | | The Action is implemented under Direct Management, and entails procurement of services and a grant scheme. |
| Budget Support Readiness | | Not applicable |

**LOGICAL FRAMEWORK MATRIX**

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| **OVERALL OBJECTIVE(S) / (IMPACT(S))** | **OBJECTIVELY VERIFIABLE INDICATORS** | **BASELINES** | **MILESTONES** | **TARGETS** | **SOURCES & MEANS OF VERIFICATION** |  |
| To improve the sustainability and competitiveness of the Macedonian economy | Global Competitiveness Index | 84th (2019) |  | 75th (2027) | World Economic Forum / PAF |
| Export companies’ rate | 5,97% (2017) |  | 6.5% (2023) | SSO/PAF |
| Enterprise survival rate in the fourth year of life | 51,2% (2013) |  | 65% (2023) | SSO/PAF |
| Energy efficiency measured as Intensity of final energy consumption over GDP  Alternatively:  Energy intensity of economy (average annual change for the period 2021-2025) | 2.80 TOE /1,000,000 Denar (2018)  425,5 kgoe/1000 EUR (2013) |  | ≤ 2.50 TOE/1,000,000 Denar (2027)  tbd | SSO/PAF |
| Size of green economy :   * Environmental goods and service sector * Gross value added from market output of the environmental economy * Employment from market output of the environmental economy | (2017)  245 MEUR  128 MEUR  15,587 persons |  | 2025  300 MEUR  150 MEUR  18,000 persons | Eurostat/SSO |
| **SPECIFIC OBJECTIVE(S) / OUTCOME(S)** | **OBJECTIVELY VERIFIABLE INDICATORS (\*)** | **BASELINES** | **MILESTONES** | **TARGETS** | **SOURCES OF VERIFICATION** | **ASSUMPTIONS** |
| To support and green business recovery | Variation of the turnover of the supported companies | 0 (2020) |  | > 10% a year of the received investment | Implementation report | There is full commitment to green the economy of the country, which is projected in tax laws, procurement and state aid rules benefiting green companies/production |
| Jobs created in the supported enterprises  (sex disaggregated) | 0 (2020) |  | > 1 job/20,000 Euro of EU investment | Implementation report |
| Variation of the energy cost versus turnover | 0 (2020) |  | > 20% reduction of the incidence of the energy costs (electricity, gas, gasoline) |  |
| **OUTPUTS** | **OBJECTIVELY VERIFIABLE INDICATORS (\*)** | **BASELINES** | **MILESTONES** | **TARGETS** | **SOURCES OF VERIFICATION** | **ASSUMPTIONS** |
| Innovation, technology development and environmental sustainability boost in North Macedonian enterprises | No of supported companies  (breakdown per economic sector / gender of management and ownership (male/female) / geographic location / type of “greening”) | 0(2020) | 200 (2023) | 300 (2025) | Implementation report | North Macedonian enterprises are interested to invest in greening their operations |
| Financial leverage (mobilised private investments for the supported initiatives) | (new) | 5 MEUR | 8 MEUR | Implementation report |
| Number of supported companies implementing at least one EU/international standard as a part of the project | (new) | 100 | 180 | Implementation report |
| **BROAD ARRANGEMENTS FOR IMPLEMENTATION (IF AVAILABLE)** | Management mode: direct management  Implementation through a direct grant to the Fund for Innovation and procurement (service for technical assistance) | | | | | |

1. **COM (2019)260** [↑](#footnote-ref-1)
2. **COM(2018)65** [↑](#footnote-ref-2)
3. **COM(2018) 306 final** [↑](#footnote-ref-3)
4. **COM(2020) 102 final** [↑](#footnote-ref-4)
5. <http://budget.finance.gov.mk/raspredelba.html> [↑](#footnote-ref-5)