

## **EU Funds for Macedonia in the Balance**

**Author:** [Nevena Angelovska](#)

Macedonia could lose millions of euro in assistance from Europe if it does not speed up reform of its creaking administration.

Macedonia, one of Europe's poorest countries, expects to get the green light to begin formal talks on joining the European Union by the end of this year - a move that would make it eligible for substantial funding to help it along the way to eventual membership.

But experts in Brussels and Skopje warn that unless proper systems are put in place to help Macedonia cope with an influx of pre-accession cash, the EU may hold fire on the funding altogether.

Macedonia applied to become a member of the EU in March 2004, and now counts as a potential candidate, together with Serbia and Montenegro, Bosnia and Hercegovina, and Albania.

The EU's executive body, the European Commission, is to issue a formal opinion, known as an "avis", on November 9 about whether membership talks should begin with Macedonia.

Announcing the move in July, EU enlargement commissioner Olli Rehn warned that as well as concerns such as political stability, progress with reforms, and efforts to curb corruption, the commission would want to see improved "administrative capacities".

If Macedonia is allowed to begin accession talks, it will be able to seek funding for institutional and other reforms that is much greater than the present financing arrangement known as Community Assistance for Reconstruction, Development and Stabilisation, CARDS.

Zoran Jacev, who heads the Macedonia office of the international anti-corruption watchdog Transparency International, says the requirement to have capable government and civil service institutions in place is a major hurdle.

"It will be a real test for the Macedonian administration to find, prepare, organise and realise such projects," he said. "This country has potential - but the question is whether the right people are in the right positions."

John Bradley, an Irish economist and research professor from the Economic and Social Research Institute, in Dublin, agrees, saying, "The country must go faster with its preparations.

"If the country gets a positive avis from the commission, that will make the country eligible for EU funds," he said, adding that once the European money starts coming in, "then the EU will be the only game in town".

The government will have its work cut out to meet all its commitments in time. Before any pre-accession funds can begin to flow, Brussels will have to approve a new national body to oversee all EU aid, as well as several agencies to handle contracting and tendering by the state.

EU diplomats are urging Macedonia to act fast. Preparations for establishing the right administrative systems are still in their infancy

Macedonia will have to show it has the national institutions in place to handle funding competently and transparently.

“The EU has strict criteria and it will not give a cent if we are not meeting the given standards,” warned Abdulmenaf Bexheti, a former economy minister.

Economists and EU diplomats are not the only ones urging the government to get a move on.

In April, Dirk Meganck of the European Commission’s Directorate for Enlargement warned officials in Skopje that making the right preparations “is extremely important, because the beneficiary countries will be in charge of using EU funds”.

He added, “The process requires a lot of time – that’s the experience of other countries when they were candidates. Their experience showed several years are needed for each country to be ready for the full implementation of funds in a decentralised manner.”

Skopje says it is doing as much as it can. “Everything is going according to plan,” said an official from the government’s secretariat for EU integration, who asked not to be named.

“We are already selecting the people to work in the agencies,” said the official, noting that the government had received 1.3 million euro in CARDS funding for this process in 2005, and that the finance ministry was coordinating the work.

One of the agencies required to process EU funding will deal with rural development and agriculture. Western diplomats have repeatedly said that Macedonian agriculture is in poor shape and in urgently need of aid.

About 80 per cent of EU aid is customarily targeted at rural development, a crucial area for all Balkan economies. The experience of neighbouring Bulgaria shows that agriculture is a litmus test for broader economic development, and that assistance only delivers results when it is managed competently.

“EU assistance can give great results but the most important thing is a trained administration that can draw up a long-term planning and development strategy and which has a real budget plan,” said Miroslava Georgieva, of the rural development directorate in Bulgaria’s ministry of agriculture and forestry.

Georgieva said she was glad that Macedonian ministries were working on such plans. “But I have to underline that it took two years of very intensive work to realise this process,” she warned.

Aside from the reforms now getting under way, the general state of Macedonia's public administration does not suggest that it has the capacity to manage funding programmes, experts say.

Former economy minister Bexheti warns that Macedonia needs to slim down its bloated civil service fast, or there will be problems.

"If you look at how we manage domestic funds now, the situation does not look optimistic," he said. "Let's hope we can create an administration that will be ready to manage EU funds, because if the situation remains as it is, we certainly won't be able to do it."

Some economists say Macedonian institutions have already lost out on the EU funding for which the country is currently eligible, because they simply lack the skills to implement projects.

Ljubomir Kekenovski, a university economics professor in Skopje, recalls many missed opportunities, "Hundreds of thousands of euro were lost in various projects because we didn't have capacity, or because projects were led by people who just weren't qualified.

"One problem is a lack of political will. The other is that no one wants to accept responsibility for projects."

Kekenovski warns that "things have to change fast, or we will continue to lose lots of money. We have to start changing things."

Time is not on Skopje's side, as parliamentary elections in 2006 are likely to bring government to a temporary halt, delaying the process of building institutions capable of absorbing and using EU funds.

The following year, the EC will bring in a new funding mechanism called the Instrument for Pre-Accession, IPA, which will apply to Macedonia regardless of whether it is already a candidate or is still classed as a potential candidate. IPA funding will still draw a distinction between the two categories in terms of the kind of funding made available, but in either case, learning to work under the new system will pose an additional challenge for Macedonian institutions.

With time so short and so much yet to be done, it is not surprising that many fear the country may miss out.

Nevena Angelovska is a regular BCR contributor.

**Location:** Macedonia

Albania

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Bosnia and

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