

## **Book review**

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***“Use of EU funds in Macedonia: Efficiency, impact and absorption capacity, Collection of studies, working version”*** published by *European Policy Institute (Skopje, November 2012)*

This book of papers consists six parts which analyze each of five Components of the Instrument for Pre-Accession (IPA) and one general study, which are prepared by eight authors: Emilija Taseva: *IPA Component 1 for European Institutions guaranteeing democracy, rule of law, human rights and protection of minorities in Republic of Macedonia*; Drilon Iseni: *“Incentive for prosperous actions”, case study: Cross-border cooperation IPA Programme Macedonia – Albania 2007-2013*; Mate Gorgievski, Mila Stankovic: *IPA Funds in the Republic of Macedonia: Potential and constraints for the regional development*; Biljana Stojanovska: *Contribution of IPA Funds to the human capital development in the Republic of Macedonia*; Natasha Daniloska, Snezana Kostadinovska- Miloshevska: *Calculation of gross value added (GVA), net value added (NVA) and labor productivity of IPARD beneficiaries in Republic of Macedonia*; Vanko Uzunov: *The absorption capacity of the Republic of Macedonia for utilization of IPA Funds – general issues.*

The authors cover all five financial instruments of the European Union, the aim of which is to prepare the country for the EU accession while transposing the European principles, values and legislation (acquis). Other accessible financial instruments such as Union Programmes (PROGRESS, MEDIA etc.) where the Republic of Macedonia is an equal partner and competitor as other EU member states are not covered in this publication. The sources of data and information are primarily official state’s and EU institutions’ reports, such as reports of the Secretariat of European Affairs and other government bodies in Macedonia, European Commission’s Progress Reports for Macedonia and Annual IPA Reports published by national and other EU bodies.

The papers in this book are a real challenge for the readers, especially for those one who are interested to gain in-depth knowledge on the subject. On one hand, the diversity of the authors enables the reader to see different perspectives of the same issue, while analyzing different IPA components, relevant for various target groups. On the other hand it is interesting that all authors came up to the same conclusions and have identified the same problems related to absorption capacity of the Republic of Macedonia for utilization of EU funds. The aim of the publication is to stimulate public debate based on relevant facts towards increasing the effectiveness and absorption of the EU funds by Macedonian stakeholders, while presenting the actual situation and level of utilization of EU funds, evaluating this utilization based on initial experiences and mapping the gaps when possible. However, as one of the authors said, the use of EU funds is a “two-way street”, both parties must have an

absorption capacity: the institutions, as a party which offer and potential beneficiaries, as a party that requires funds.

*In the first paper*, besides the presented case studies from IPA Component 1, the author underlines that the analysis of the National IPA TA-IB 2007 and 2008 was done at the right time because will be a good comparison for IPA TA-IB 2009, as a first decentralized programme (governed by the national institutions in the country). This component is directed to support the fulfillment of Copenhagen's political criteria (between 25-45% of the funds allocated to this) such as public administration's reforms, courts' reforms and capacity building for management of EU funds of public bodies. Within the IPA- TA-IB 2008-2010, the action is enlarged with projects related to human rights, minority protection and civil society (between 30-45%). Also, as a warning, the author says that if there is a lack of absorption capacity by national institutions, as a consequence of the lack for administrative capability, so the external impact is limited. *Second paper*, devoted on IPA Component 2, discusses the administrative and institutional absorption capacity as well as for the structure of the institutions/bodies responsible for cross-borders cooperation programmes (CBC), underlining that if there is a lack of institutional leadership, this will affect the absorption capacity for already ensured EU funds. The desk research, on-line questionnaires and interviews on which base is prepared the presented case study for CBC Macedonia-Albania 2007-2013 shows that, up to this time, the percentage of absorption of is 28.8% and this is an important data for Macedonia which has a leading role in this programme for this sub-component. The author also reminds the academic community that there is no adequate literature on this topic.

*The third paper* has only limited resources for research, especially because the implementation under IPA Component 3 is not started for those projects that consume a larger part of the fund. However, the main concerns are the projects for improvement of transport's infrastructure of which only 7% has been tendered and environmental issues of which only 0.46% implemented and all related to technical assistance. If the implementation in these projects does not start as soon as possible, there is a threat that European Commission will withdraw the approved funds due to lack of spending for a period of 3-years after the approval. There is a comment that the responsible Macedonian institutions missed a golden opportunity in the process of improvement of Operational Programme to include the sub-component for Regional competitiveness, which is related to a development of small and medium enterprises (SME).

*The fourth paper* moves to the development of human capital. There is a perception, supported by official data, that this investment is done mainly for human resources in the state institutions, such as an Employment Agency, or state bodies that work on modernization of education and social services, instead of building partnerships and synergy with other relevant stakeholders in the society, including the civil society. This seems is a wrong approach, especially because the whole Component 1 is devoted to institutional development and most of the initiatives in areas of

employment, education and training and social inclusion now implemented under this component should be shifted into Component 1.

*The Fifth paper* aims to quantify the results of supported investment within IPARD funds (Component 5), using the economic model that contains revenues and all costs related to beneficiaries' businesses. The paper is based on case studies from Measure 101 of which one is related to increase of the competitiveness and modernization of agricultural sector. The conclusion of the authors is that IPARD contributes to increase the gross value added (GVA), net value added (NVA) and labor productivity, but there is a greater need for ensuring more reliable data from the IPARD beneficiaries.

*The sixth paper* analyzes the general issues for utilization of IPA Funds. The author concludes that Macedonia has macroeconomic and financial absorption capacity, but has not the administrative (institutional) absorption capacity, which is a main reason for overall low capacity of the use of the funds by the state. To deal with this issue, the authorities might improve the process of programming using the top-down approach and ensure the openness of that process for other interested stakeholders.

These papers suggest the urgent need for wider debate and engagement of different stakeholders to ensure effective absorption of EU funds by Macedonia. Using the statistics and official sources, both on national and EU level, the authors succeed in going beyond the everyday style of debating for insufficient use of EU funds, and put the debate on an academic level. This pioneering publication will be an excellent starting literature for all interested parties, including master and PhD students interested to gain comprehensive knowledge for the first undertaken steps in absorption of the EU funds in Macedonia.

Even though whole subject seems complex, the authors writing style is comprehensible and clear. The recommendations given to the relevant stakeholders are based on strong facts and reliable sources and if the responsible institutions take this into consideration and start to follow them, the impact and utilization of EU funds for the upcoming period might be increased.

However, the data are mainly collected through desk research and all papers are prepared mainly based on case studies because of the lack of comprehensive literature, especially from academic sources, which seems is a common problem for all researchers responsible for preparation of these papers. In the future, on one hand it will be necessary to collect data from the beneficiaries to be able to measure the impact and effectiveness of the use of EU funds from the programming period 2007-2008, and on the other hand, it is necessary to revise the indicators presented at the Operational Programmes, defining them clearly, giving the final beneficiaries a better understanding of the requirements and expected outcomes.

To sum up, it is not possible to find appropriate literature with up-to-date information for the utilization of EU funds. All authors address the problem of no accessible literature on the above subject. All existing publications are mainly related to legal procedures for establishment of IPA, general information about IPA. There is no comprehensive research for the efficiency, impact and absorption capacity of the state. This issue remains as a challenge for all interested individuals, especially for the academic community.