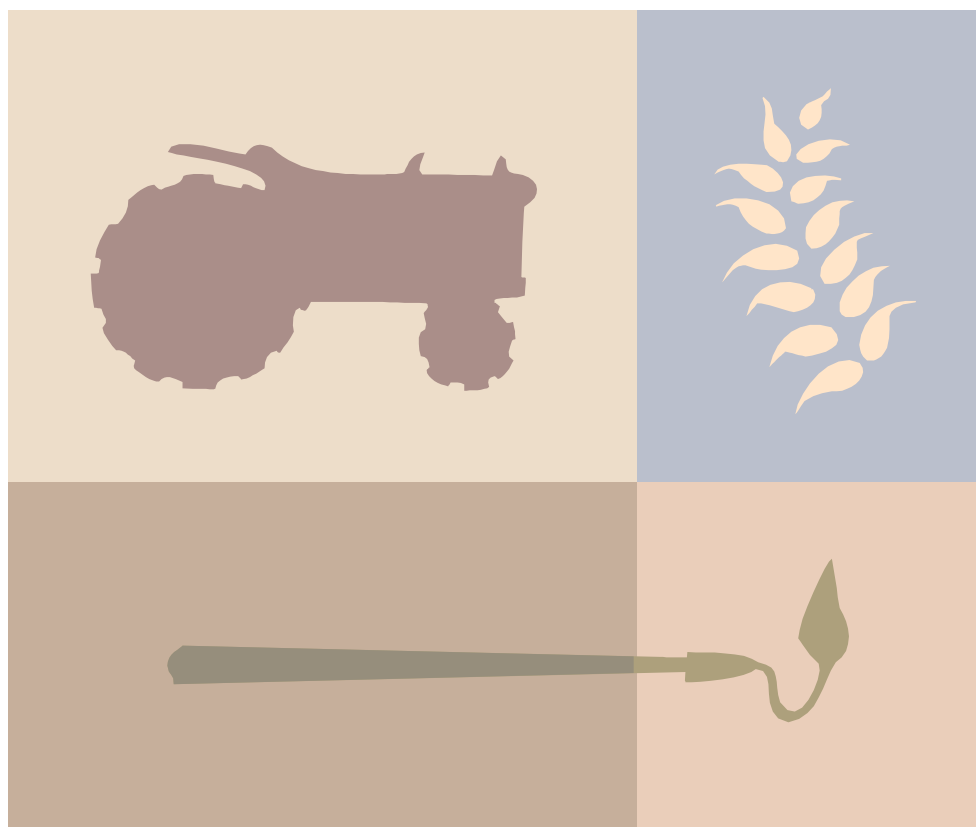


Building Capacity for Macedonian Higher Education, Research and Policy Analysis in Agriculture

With a Focus on Agricultural Economics



Annual Report, 2009

Department of Economics,
Swedish University of Agricultural Sciences, SLU
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Abbreviations and Acronyms

BICA	Balkan International Centre for Agricultural Economics
DE	Department of Economics, SLU
EU	European Union
FADN	Farm Accountancy Data Network (EU)
FAF	Faculty of Agriculture and Food-Skopje
IAE	Institute of Agricultural Economics
MAASP	Macedonian Agricultural Advisory Support Program
MAFWE	Ministry of Agriculture, Forestry and Water Economy
SFARM	Support to Farmers' Associations of the Republic of Macedonia
Sida	Swedish International Development Cooperation Agency
SLU	Swedish University of Agricultural Sciences
UKIM	St Cyril and Methodius University in Skopje

Contents

PROJECT CONTEXT	6
HIGHER EDUCATION	6
PROSPECTS FOR THE FUTURE	8
THE PROJECT IN SHORT	9
THE HISTORY OF THE PROJECT	10
PROJECT MANAGEMENT.....	13
a. Management Discussion	13
b. Meetings and Management Activities	14
i. Organization/human resources.....	14
ii. Meetings and Activities.....	15
iii. Activity planning.....	16
iv. Financial Report.....	16
c. Cooperation with other Sida Projects or Sector Stakeholders.	24
PROGRESS IN PROJECT IMPLEMENTATION	26
a. Project objective 1: Improved Capacity	26
b. Project objective 2: BICA.....	27
c. Project objective 3: Policy Analysis	28
PROJECT WORK WITH BASIC VALUES	29
PROJECT PLANS FOR 2010-2012	30
FUTURE PLANS FOR BICA.....	33
APPENDIX 1: FINANCIAL REPORT IN FIGURES	35

Project Context

This is the Story of a Swedish-Macedonian development co-operation involving two agricultural universities, two institutions and one common interest for agricultural economics. The cooperation between the Institute of Agricultural Economics (IAE) at UKIM in Skopje and the Department of Economics (DE) at SLU in Uppsala dates back to 2000 and is now in its second phase.

This report covers the period between January 1 and December 31, 2009 and contains a description and analysis of the results of each activity of the project, as well as the financial report for 2009. The project will conclude its second phase during 2010 according to the activity plan included in this document. A brief description of the plan for the phase out period 2011-2012 is also presented.

Higher Education

2009 was a year of change for Higher Education in Macedonia. As a result of the new Law on Higher Education adopted in 2008 a new University Charter came into effect on January 1st 2009 and originated a phase of intensive reform at all faculties and bodies concerned. The new law and the new charter required major changes in the structure of the universities, a transformation of roles and responsibilities of the university bodies, and the introduction of the three-cycle based higher education system that is at the core of the so-called Bologna principles.

In essence, the central university administration has gained power over the faculties. Previously, St Cyril and Methodius University in Skopje was a very heterogeneous organization where each faculty had a great judiciary and financial independence. With the new charter the university (ruled by the Rectorate and the Senate) is the only legal entity and the faculties with its scientific institutes are seen as integrated units within the university. This transfer of powers has sparked a series of organizational changes at the faculty level resulting in a centralization of powers there too, mainly to the Dean and the Dean's Board.

At the Faculty of Agriculture and Food in Skopje (FAF) 12 departments have merged into 6 institutes. The partner responsible for this cooperation in Skopje, the Department of Agricultural Economics and Organization (DAEO) is thus now known under the name the Institute of Agricultural Economics (IAE). IAE in turn is divided in two sub departments, one for Agricultural Economics and one for Agribusiness but they share the responsibility for the study programmes of IAE.

These changes have affected the project in two ways. Firstly, the introduction of the three-cycle based higher education system has made it possible to begin the reforming the educational programmes according to the Bologna-principles, a task that has been postponed several times with implications for the activities of the project. The Bologna-principles implies a division of the European higher education in three levels: the three years long undergraduate level (BSc), the two year long graduate level (MSc), and the three or four year long postgraduate level (PhD). Secondly, the transformation of the University into the only legal entity and the subsequent loss of independence for its faculties and scientific institutes has not only induced a demanding reorganization but has also implied a set of administrative complications and unforeseen obstacles in the implementation of the project.

The implementation of the Bologna-principles is a development very much welcomed by the project. At least at FAF, however, the implementation was slow. The new BSc, MSc, and PhD programmes need to receive new accreditations which imply new curricula. The new BSc-programmes at FAF are expected to receive their accreditation by the end of March 2010 and MSc-programmes in April. Fortunately, the MSc-programme planned for BICA obtained its accreditation in 2009 and could receive its first groups of students in the fall of 2009.

A negative result of the reorganization of the University and centralisation into one legal entity was that all faculties had their bank accounts seized during almost four months since the faculties lost their legal status before the establishment of a legal person for the University as a whole. During these months neither salaries nor bills were paid. Until the problem was solved and the block was lifted on April 29,

the project staff in Skopje could not access the project funds. The reorganization gave rise to new circumstances also at the governmental level in that the funding of higher education became the sole responsibility of the Ministry of Finance. This new order has created substantial problems for the project management in Skopje since the Ministry of Finance has decided to gather all international funds aimed at higher education in one pot requiring all recipients to get their budget approved and to make a formal request for money they already have been granted by the international donor. This has turned out to be a slow and strenuous process that does not guarantee full and timely access to the project funds which in turn has affected the project management and the activities negatively.

In general, higher education in Macedonia has been subject to various direct cuts in public funding as well as changes in funding formulae and pressures to seek alternative sources of funding. Public funds for research and development (R&D) are low and amount to only a fraction of the average spending in the EU. This reality is confirmed and lamented by the Macedonian partner.

Prospects for the Future

Although Macedonia still is awaiting a starting date for their accession negotiations, the decision of the EU Commission in October 2009 to recommend the opening of such negotiations with Macedonia was a milestone of great importance in Macedonia's path towards EU-membership. According to the EU Commission, Macedonia has made convincing progress and sufficiently fulfils the Copenhagen political criteria. The name dispute with Greece remains to be resolved but there is at least a real prospect of accession negotiations. As a consequence the Swedish Government has decided to phase out the Swedish development support to Macedonia by 2012.

The Project in Short

The acronym of the project, *UniCoop* reflects the cooperation between two agricultural universities, two institutions, and their common interest in agricultural economics. This is summarized in the title of the project:

Building Capacity for Macedonian Higher Education, Research and Policy Analysis in Agriculture – with a Focus on Agricultural Economics.



The overall objective of the project is:

To contribute to an improved Macedonian policy for, and economic analysis of, the agricultural sector with respect to trade, marketing, production and processing

While the two immediate objectives of the project are:

- 1. Improve the capacity of the Department of Agricultural Economics and Organization for higher education, research and policy analysis in agriculture.*
- 2. Improve the capacity of governmental staff and other actors' of the sector for economic analysis in agriculture with focus on agricultural economics.*

The activities of the project remains the same as previous and the objectives are to be achieved by building up the IAE teaching and research capabilities, improvements of the education programmes and by expanding the research activities within the specified areas. The project activities are as follows:

1. Education Program

- a. BSc

- i. Curriculum Development
- b. MSc
 - i. Study Visit
 - ii. Language Courses
 - iii. MSc
 - iv. Balkan International Centre for Agricultural Economics (BICA)
- c. PhD
- 2. Research Program**
 - a. Research
 - b. Advisory System
- 3. Staff Development**
- 4. Facility Upgrading**
 - a. Computer Lab
 - b. Literature and Journals

The progress in the implementation of these activities will be more thoroughly presented below.

The History of the Project

This is the story of UniCoop, a Swedish-Macedonian Development Co-operation involving two Agricultural Universities, two institutions and one common interest for agricultural economics.

In the fall of 2000, three representatives from the Department of Economics (DE) at SLU visited Macedonia and the Institute for Agricultural Economics (IAE) at the Faculty of Agricultural Sciences and Food at St Cyril and Methodius University in Skopje. As a first step to assess the needs and problems facing the agricultural sector of Macedonia it was decided that, eight papers on four identified topics should be written; each topic was treated by both Macedonian and Swedish researchers. The four topics were: - Agro management - Marketing of the Macedonian Agricultural Products - The Impact and Consequences of the Future EU Accession of Macedonia to the Agricultural Sector - Educational System in Agriculture. In June 2003 the eight papers were discussed at a five-day workshop held in Ohrid; Macedonia. The papers firmly established that the lack of market institutions and cost-efficient and coherent agricultural policies were the main problems facing the agricultural sector in Macedonia.

The workshop marked the end point of the first phase of the project and based on the conclusions from this workshop it was decided that the overall aim of the project should be to contribute to an improved Macedonian policy for, and economic analysis of, the agricultural sector with respect to trade, marketing, production and processing. The idea was that the project should create the preconditions for improvements in the Macedonian capacity for policy formulation and for performing economic analyses related to the agricultural sector. Since a capacity building project, the intention of the cooperation with the DE at SLU was to help Macedonia build up its own capacity to formulate efficient policies and undertake strategic economic analysis of the agricultural sector. It was foreseen that such knowledge and skills would be required in key areas such as in agromanagement, agro-marketing, marketing of agricultural products, education in the agricultural sector, and analysis of the impact and consequences for the agricultural sector of the future accession to the EU. This was planned to be carried out by building up the IAE teaching and research capabilities, improving the education programs and by expanding the research activities within the specified areas. Thus the project activities were as follows:

1. Sending Macedonian students to MSc-studies in Uppsala.
2. Sending Macedonian students to PhD-studies in Uppsala.
3. Possibility for undergraduate exchange.
4. Staff mobility for curriculum development:
 - a) Swedish teachers will participate in concentrated teaching in Macedonia from seven to ten days at a time.
 - b) Macedonian teachers will visit Uppsala for seven to ten days at a time to work on curriculum development.
5. Technical support:
 - a) Equipping the Department in Skopje with technical teaching aids and modern means of conducting research.
 - b) Purchase books and additional literature.
 - c) Organise English language courses in order to allow the Department's students and staff to attend studies abroad and participate in other international projects.
6. Research cooperation:
 - a) Modelling and analysis of the agriculture and food production sector in Macedonia
 - b) Models of managing Macedonian farm organisations

The project had three target groups. First, in the short run, the target group was the DAEO, Faculty of Agricultural Sciences and Food - Skopje. In the medium run the target group comprised the MAFWE, farmers as well as consumers in Macedonia. Lastly, in the long run the final target group were the whole agricultural sector in Macedonia which will, hopefully, gain from the achievements of the outcome of the project.

During the course of the project the objectives has been revisited and reformulated in order to capture the actual aim and purpose of the project. From 2008 the immediate objectives of the project has been to:

1. Improve the capacity of the Department of Agricultural Economics and Organization for higher education, research and policy analysis in agriculture.

2. Improve the capacity of governmental staff and other actors' of the sector for economic analysis in agriculture with focus on agricultural economics.

From 2008 the name of the project has been Building Capacity for Macedonian Higher Education, Research and Policy Analysis in Agriculture – with a Focus on Agricultural Economics. And from then it has the acronym UniCoop.

Project Management

a. Management Discussion

In our eighth year of cooperation, the two departments are by now well-acquainted and the interaction is characterized by an open and honest communication with an interest to develop and deepen the collaboration further. The cultural differences between the two partners offer opportunities to broaden perspectives and learn from each other.

The project is based on the assumption that the two departments are equal partners and that DAEO is responsible for planning and performing the project activities independently from DE, which will assist by sharing its competence in the various fields of the academia. The most common reason for disagreements can be traced back to a difference of opinions about these roles of respective partner.

The progress in project implementation continues to be acceptable and with the IAE taking on greater responsibility for shaping the project activities than before. Some issues are worth noting that have influenced the project in 2009 and that might affect the project outcome.

It is increasingly obvious that the mixed project results in both education and research collaborations stems from the persons involved rather than the form of the cooperation. The experience this far confirms that the junior staff, with or without a PhD degree, demonstrate great interest and eagerness to take advantage of the possibilities for broadened experience offered by the project. They also come with own ideas and suggestions for research and educational collaborations to develop their capacity. On the other hand, there are considerable doubts about the senior staff's interest or dedication to embrace change and adjust to the increasing quality demands in higher education and academic research. Unfortunately, the junior staff makes up less than half of the IAE staff and due to their youth and gender (they are all women!) they have limited influence on IAE's activities.

The reorganization of UKIM and FAF absorbed much of the IAE's staff's capacity in 2009, but were necessary in order to modernize the university structure and improve quality and efficiency of the Macedonian higher education.

The appointment of the project's Macedonian Team leader as Dean of FAF will further modernize the agricultural education and research and increase the educational efficiency, while at the same time freeing human resources for research. However, from a project perspective the appointment has basically left the project with limited senior management, though the Project

Coordinator has proven capable of handling most situations to great satisfaction.

The result of the above is that the implementation is falling behind in some areas, but shows promises in others. The interest of the junior staff and the success of the students taking part in the project are encouraging and provide inspiration to continue the collaboration and to find new ways to approach the obstacles.

b. Meetings and Management Activities

The geographical distance between the two project teams is bridged by the regular visits that take place as part of the project's activities. In addition, the management have almost daily contacts by e-mail and telephone, as well as organize meetings either online or at either department. During the spring the management team did not meet in person, but two meetings took place during the autumn.

The meeting in Skopje in September initiated the discussion on the project plans for the next phase of the project, which was then the focus of the three-day long meeting in Uppsala in December. The discussions in December resulted in a revised activity plan for 2010 and detailed plans for 2011 and 2012, see section 5 Project plans for 2010-2012.

i. Organization/human resources

At the Department of Economics, SLU, the project engages a majority of the teachers and researchers in various activities: PhD-supervisors, BICA-teachers, research partners, guest lecturers, and all the administrative staff. From 2009, librarians from SLU's library at Ultuna are also involved in the project. Besides engaging the department's regular staff, the project has two part-time employees working with project management, the project leader (30%) and the project assistant (70%).

Many of the teachers/researchers have been engaged in the project for several years, but with the increasing number and changing scope of the activities quite a few new project members was involved for the first time in 2009, these include the directors of studies for the undergraduate and postgraduate educations and some senior PhD-students. Most of the teachers/researcher is in the field of business administration or agricultural economics, while the involvement of the environmental economists has been very limited so far. However, with the latest PhD-project in the field of water economics and a proposed research cooperation on economic values of environmental quality and biodiversity this seems to be about to change.

In addition to engaging staff at the department, there is also a possibility to involve people from other parts of SLU. In January 2009, the library at SLU hosted a visit by the two librarians from FAF and showed them the two main libraries on campus. Later during the spring, a senior expert from the Division for Strategy and Planning was engaged, together with three teachers at the department, to provide advice for the planned stakeholder survey for the undergraduate education at FAF.

ii. Meetings and Activities

Reviews

During the year several reviews of the project have been performed. The annual review is a recurring forum for the project partners to present the results to the financier Sida, but also to discuss opportunities and problems and receive recommendations from Sida's Quality Assurance Team. According to the contract an audit of the financial report should also be performed annually. In addition to these reviews requested by Sida, the project management initiated an external evaluation of all project activities.

Annual Review

The annual review of the project was held in Skopje on September 14, 2009. The meeting discussed the activities and results of the project for the period January 1, 2008, to June 30, 2009, and also concluded that the recommendations from the previous annual review in April 2008 had been accomplished.

Audits

In August 2009, the financial report for 2008 was subject to audits by independent and authorized auditors in respective country. There were no remarks in the observations made by the auditors. The financial reports of the two partners were audited separately; thus the Swedish auditor noted that since the Macedonian audit report was not available at the time of writing the Swedish audit report, it was not possible to give an opinion of the total costs of the project. The audit reports have been provided to Sida at the annual review meeting in September.

External evaluation

The external evaluation was initiated by the project management to obtain input to the planning of the final phase of the project. The evaluation covers the period 2004 to 2008 and was performed by an independent evaluator, Professor Runar Brännlund, who is in the field of environmental and resource economics at Umeå University.

The main findings of the evaluation are summarized below:

- The teacher exchange programme has significantly contributed to the project objective and BICA will continue this contribution.

- The MSc-scholarship has been relevant and contributed to the project objectives in several ways. One important reason for the relevance is the synergies with the teacher exchange.

- The research objective has not yet been met and it is not certain if the research management structure adopted in September 2008 is sufficient in the still inexperienced research environment at IAE. The suggestion is to establish a research management plan supported by postdoc positions, incentives for paper writing, conference participation, and international collaboration; and start a publication series at IAE. Moreover, it was suggested to extend the management team with an experienced researcher responsible for research.

- The computer lab is well-organized and useful for both individual work and courses, but is underutilized.

- There is a systematic deviance between budget and financial outcome that needs to be analyzed in depth to improve the planning process for the next phase, this is especially valuable for research activities which have showed the largest deviance; but also to evaluate the consequences for the whole project of this shortcoming.

- The quality and efficiency of the administrative organization is very good and there is no need to change the structure; however it is important that administration not becomes an objective in itself.

The assessment of the evaluator and his many suggestions for improvements of the project were an important input in the management meeting arranged in December 2009, where the future plans of the project was discussed. The outcome of this meeting, and hence the proposed new plan for the project, is found in the chapter on project plans for 2010-2012, page 30-33 of this annual report. However, it is still not certain how much of the new plan that can be implemented considering the financial frames that has been placed on the phase-out period.

iii. Activity planning

iv. Financial Report

The revised budget for 2009, as approved by Sida, was 7,107,220 SEK with 3,388,620 SEK planned for the activities in Macedonia and 3,718,600 SEK for the activities

in Sweden. The financial outcome for 2009 was 4,735,011 SEK or two thirds of the budget, with 3,316,641 SEK paid as fees of which 726,356 SEK is overhead charges at both departments (15% of total costs). The purchase of goods and other reimbursable costs amounts to 1,418,369 SEK. See table on page 35 for details.

Invoices to Sida

During 2009, SLU has sent invoices to Sida amounting to 4,868,851 SEK. The difference between the invoiced amount and the reported costs at the end of the year has two reasons. First, the accounting principle at FAF and SLU differs when it comes to costs and expenditures. For the invoices FAF has reported its costs, while SLU has reported its expenditures. In the financial report it is the opposite, FAF has reported its expenditures while SLU has reported its costs. In effect, this meant that some of the costs incurred at FAF in December, which could not be paid due to the Ministry's of Finance block of the project account, lead to lower expenditures.

The second reason for the discrepancy between the invoiced amount and the reported costs is the different exchange rates used. For the invoices either the exchange rate from the budget was used or the average exchange rate for the invoicing period, while in the financial report it is the weighted average exchange rate for the money transfers from SLU to FAF.

Exchange rates

SLU has made three money transfers to FAF during 2009 of in total 2,535,000 SEK, which turned into 14,413,869 MKD, with an average exchange rate of 0.1759 SEK/MKD. For the invoice covering January to October the exchange rate 0.17 SEK/MKD was used, for November 0.1689 SEK/MKD, and for December 0.1702 SEK/MKD.

In retrospect, it becomes clear that the two first transfers, in March and June, was made in months with higher exchange rates than the annual average, while in October the exchange rate was lower than the average but higher than the exchange rate used for the budget.

Analysing the result

The budget for 2009 had about the same allocation between activities as in 2008, see table below. Education, which includes the high-cost activities at BICA and the PhD-students, is the most important group with nearly 60% of the budget. Then follows in order of allocation in the budget: research, administration and facility upgrading, with 14%, 14% and 11% respectively. Only 3% of the budget is directed towards staff development. The allocation is a bit different if broken down on each partner. At FAF, education is still the most important group of activities but received only 40% of the money, while facility upgrading and staff development obviously

receives more money than at SLU. At SLU, on the other hand, education is allocated 75% of the budget, with the administration and research sharing the rest of the money.

Table 1 Budget and outcome as shares in percentage for respective partner.

	Budget, Total	Budget, Mac	Budget, Swe	Outco me, Total	Outcome , Mac	Outcome, Swe
Education	58%	40%	75%	56%	43%	66%
Research	14%	16%	12%	15%	17%	13%
Staff develop ment	3%	7%	0%	3%	7%	0%
Facility upgradin g	11%	21%	1%	4%	9%	1%
Administ ration	14%	15%	13%	22%	24%	20%
Sum	100%	100%	100%	100%	100%	100%

The result for 2009 shows a 67%-utilization of the budget and with similar allocation between activity groups. The exceptions are facility upgrading with a lower share and administration with a larger share than in the budget. Education and Research had a 64% and 70% utilization of the budget respectively, while Staff development did not use even 60% of the allocated money.

As noted in the external project evaluation performed during the summer 2009 and covering the period 2004 to 2008, there is a systematic error in the budget, which in the first phase (2004-2007) showed up as an average budget utilization of 53% while it in recent years has improved somewhat to 67%, see Table 1.

The reasons for the fairly low utilization of the budget are several and have varied slightly over the years; however, two main explanations can be identified: the continuous delays in the Bologna reform of the higher education in Macedonia, which many times have been difficult to predict, and insufficient coordination of human resources with IAE staff, i.e. not enough effort has been made on the project's part to coordinate its activity plan with IAE's normal activities. The former reason is

discussed in more detail below in the context of last year's outcome, while the latter will be addressed from 2010 and onwards with a special human resource plan that is coordinated with the plans of each staff member at IAE.

Table 2 Ratio between financial outcome and budget.

	Phase I	2008	2009	Average Phase II
Education	57%	64%	64%	64%
Research	36%	64%	71%	68%
Staff development	n.a.	83%	57%	70%
Facility upgrading	52%	52%	27%	40%
Administration	73%	84%	105%	95%
Sum	53%	66%	67%	67%

As regards 2009, the reasons for the less than full-utilization of the budget can be divided into two categories: general for the whole project and activity specific. These reasons are discussed in detail below under *General problems* and *Analysis by activity*.

The utilization until now of the project budget for the whole phase is around 50%, as is evident in Table 2. That leaves nearly 9.5 MSEK to be allocated to activities during 2010 and possibly also the phase out period of 2011-2012.

Budget	
Original contract	15 370 000
Extra contract	2 280 700
Total contract	17 650 700
Costs	
2008	-3 444 652
2009	-4 735 011
Total costs to date	-8 179 663
Aggregate result	

Total budget	17 650 700
Total costs to date	-8 179 663
Remaining funds	9 471 037

General problems

The first general reason for the under-utilization of the budget is the effects of the university reorganization that took place during the first four months of the year and which meant that the project account was blocked. The blockade resulted in unpaid salaries and invoices and long delays for several activities; examples include classroom renovations for BICA and courses for the staff.

The second general reason relates to the regulatory circumstance that places the project under the Ministry's of Finance authority, since it is part of the public institution FAF. This organizational affiliation means that the Ministry approves the usage of the bank account based on a financial plan (budget) submitted at the beginning of each year. Once the costs for an item reaches the planned amount it is not possible to incur any new costs regardless of how much money is actually in the bank account or if other items are used to a much lesser extent than planned.

The regulations surrounding the usage of the project money has caused problems on several occasions in the past, but is usually solved in the end after time consuming efforts by the project administration. One example of this is from November 2009 when the Ministry refused to approve a new plan with reference to the global financial crises and that it was not allowed to make changes to the public financial plans approved at the beginning of the year. After a couple of weeks' negotiations with the Ministry, the matter was solved temporarily so that plane tickets could be bought for the teachers and management team members who were supposed to travel to Sweden.

More seriously, however, is the fact that from mid-December all payments were blocked because the Ministry was waiting to approve the plans for 2010. This meant that invoices and payments due in December, e.g. the spring allowances for the PhD-students in Sweden and for journal and database subscriptions, had to be postponed for January. However, these payments are still waiting since the Ministry has not approved the plan even at the beginning of February 2010.

Analysis by activity

The project had an ambitious activity plan for 2009 with a clear focus on the Bologna reforms of the study programmes anticipated by the implementation of the new

law for higher education, as well as a continuation of the scholarship programmes on postgraduate and doctoral level. Other plans involved the new master programme at BICA and the faculty's infrastructure (library and computer network). More information on the activities is found in the annual report. Below follows an analysis of the activities from a financial perspective.

Curriculum Development

The Macedonian parliament approved the new law for higher education in late 2008 and the university organization was decided to start at the beginning of 2009 with the Bologna adaptations of all study programmes following directly afterwards. As a consequence, IAE requested assistance from the project in the form of advisory groups or persons. The allocation of 10% of the budget to these activities shows its importance, with a large share in Sweden to cover fees to the members of the advisory groups.

However, due to delays at the university level in defining the regulations identifying the structure of the study programmes, many of the planned activities did not take place under 2009. The work on the BSc-programme, once it started, had a too short time frame to involve any Swedish advisors, while the work on the MSc- and PhD-programmes had not commenced even at the end of 2009. These circumstances explain why only half of the allocated money, or 400,000 SEK, was utilized. The incurred costs relates to guest lectures held in Skopje during the spring and the workshop in Ohrid in September.

Swedish Day

The Swedish Day was organized for the first and only time in 2009. The cost for its organization in terms of necessary material was overestimated and accounts for the surplus of 7,000 SEK.

Language courses

The language courses for the undergraduate students were held according to the activity plan and show only a small surplus.

MSc-scholarship

The project has had five master students in the scholarship programme during 2009 of which one graduated in the summer and two started in the autumn. The allocated funds were utilized to nearly 75%, with the surplus caused by less travel expenses than planned and

an overestimation of the scholarship amount. The fact that so much money was saved at SLU on reimbursable costs originates from a transfer of the costs of student accommodation from this item to fees, i.e. the students scholarship has been increased with the same amount as the rent they pay.

BICA

The master programme at BICA started in the autumn 2009 but the preparations begun already in the beginning of the year. Nearly 80% of the allocated money was utilized with the main part of the surplus created by the fact that the Swedish teacher in the programme's second course, which started in December, will not be paid until after it is completed in February 2010. On the other hand, the costs for fees in Macedonia have been significantly underestimated, but is hidden by the fact that the scholarships set aside for foreign students was not utilized.

It is also worth noting the change in plans regarding purchases of reference copies of the course books: it was supposed to be managed from Skopje but has instead been charged at SLU. In addition, the books are bought continuously as the courses are about to start, which means that most books have still not been purchased and thus created a surplus under "reimbursable costs".

PhD-scholarships

The PhD-scholarships are the single most expensive activity of the project, with more than 20% allocated in the budget. During 2009 the utilization nearly reached 60% of which the main part went to scholarships, salaries and supervision. The surplus of nearly 400,000 SEK in fees have mainly two reasons: firstly the fact that the spring scholarships was transferred already in December 2008 while the transfer of the spring allowance for 2010 was delayed because of the problems described above regarding the Ministry of Finance. Secondly, the Swedish PhD-student was engaged less than planned and did only to a lesser extent utilize the possibility for a research assistant.

The reimbursable costs were utilized to 35% of the budget, which is mainly explained by the fact that the students have a certain amount of money set a side for books, data collection, courses etc. for the whole project phase and they can freely allocate this money between years as is most suitable to their studies. In 2009 much of this money was not used. A second reason for the surplus is the new rules regarding rent for accommodation, which now is part of fees (see explanation for the MSc-scholarships).

Research Programme

Research related activities do not make up a large share of the budget, only 14%, and the utilization of the budget is close to the average or 70%. The unused money was intended for the Regional Foods-cooperation which was terminated prematurely and a new collaboration that was not initiated due to lack of human resources. Half of the budget for activities related to Agriwise Macedonia (under the heading Advisory System) turned out to be unnecessary.

Staff Development

Courses for the staff at IAE and the Faculty of Agriculture and Food are a cost efficient way to increase competence in a wide range of topics. With only 3% of the budget it is the least costly activity in the project. The surplus of 100,000 SEK is due to an overestimation of the number of participants in the courses for the younger staff at FAF, and delays in the payment of some courses at the end of the year due to the problems with the Ministry of Finance.

Facility Upgrading

The budget for facility upgrading in the form of a computer lab and literature and journals for the IAE's library was substantially increased in 2009 compared to the year before, following the decision to use some of the surplus in 2008 to extend the support to general services at FAF. These additional activities included co-financing the faculty's computer network to make it operational again and providing licenses for statistical software to PhD-students. The former activity was not initiated because of the lack of a qualified IT-technician at FAF and the latter turned out to have no demand among younger teaching staff, leading to a cost-saving of more than 400,000 SEK.

The other new activity included in 2009 was the improvements of the faculty library and that was realized according to plan. However, some invoices were unpaid at the end of the year due to the problems with the Ministry of Finance and this is also the case for some of the journal subscriptions and the article database JSTOR.

Beside the above mentioned reasons for the significant surplus in facility upgrading, some money was saved on computer maintenance and costs connected to the websites.

Project administration

The costs for project administration appears to be more or less fixed and rather unaffected by the utilization of the rest of the budget; however, the reason that both fees and reimbursable costs show a deficit in 2009 is that the costs of the audit and the external evaluation were not included in the budget. These two reviews of the project cost around 180,000 SEK in total, of which 140,000 SEK is fees and the rest is other costs.

Another thing to note is that almost all of the allocated money for Macedonian overhead costs has been utilized despite the far from fully-utilized budget for other activities. This circumstance originates from the fact that FAF charges overhead on the project's income, i.e. the money transferred from SLU, and not the actual costs of the project. Moreover, since the overhead cost cannot be transferred from the project's bank account to the faculty's account, the money is accumulated until FAF sends instructions for how they want to use them. For 2008, some of the money for the overhead was not claimed by FAF and resulted in a latent debt at the end of the year; this debt was paid in 2009 resulting in a higher overhead cost than is motivated by the money transfers during the year.

c. Cooperation with other Sida Projects or Sector Stakeholders.

During the second project phase, the project has developed great cooperation with the other Sida projects in the agricultural sector. The cooperation is mostly in the area of research, thus offering the possibility for the projects to suggest research topic relevant for their scope of operation. Both, MAASP and SFARM were offered a possibility to propose research topic as master thesis of the Macedonian students in Uppsala. From the list of suggested topics, the students together with their supervisors choose two of them, titled as "Assessment of the high fragmented land impact over the productivity and profitability of the farms", and "The influence of the agricultural products world price increasing over the supply and the prices of the Macedonian agricultural production". The first research was developed, and the master thesis prepared and submitted to the counterpart for their research needs, while the second topic as part of the master thesis of another student will be finalised during 2010.

The cooperation with the Sida projects in the agricultural sector was complemented with trainings offered for the advisors and for projects staff. A workshop was organised in April 2009 where the farm business plan developed as part of the project research activity, was presented as a very useful tool for the advisors in the area of business planning.

Considering that the collaboration with the other Sida funded projects is from great benefit, the university

cooperation project will continue with offering the possibility for organising different trainings and seminars on their demand, using the faculty expertise and research experience in certain areas.

Progress in Project Implementation

a. Project objective 1: Improved Capacity

“Improved capacity at the Institute of Agricultural Economics for higher education, research and policy analysis in agriculture economics.”

Capacity building has been at the core of this project from start and the greater part of the project activities have therefore been related to this objective. Although hard to measure and quantify, project activities such as the study visits and the teachers exchange as well as the research cooperation and the MSc- and PhD-scholarships have improved the capacity of the Institute of Agricultural Economics.

The teachers exchange, which have given teachers from Macedonia the possibility to attend lectures at SLU in Sweden and teachers from Sweden the opportunity to lecture in Macedonia, has inspired both teachers and students in Macedonia to develop their teaching and learning methods and materials. In 2009 two new compendiums were developed in this way. In addition to the interaction between teachers, the influx of ideas from the MSc-students that graduated during 2009 as well as earlier and the two PhD-students that carried on their thesis work during 2009 have continued to strengthen and develop the capacity for higher education at the Institute. In 2009 two Macedonians students got their masters degree at SLU. In the fall of 2009 the final two students to be granted the MSc-scholarship initiated their studies at SLU and the two already in Sweden since earlier completed their second and third semester during 2009. During 2009 it has become clear that the assumption that students taking part in capacity development, in one way or another will be retained in the field of policy formulation and economic analysis in Macedonia is valid. Up to 2009, six students have graduated from SLU. Two of them have subsequently received a PhD-scholarship in the framework of the project and a third one will initiate his PhD-studies in 2010. Of the remaining three, one has been employed at the Institute as teaching assistant and two are working in public authorities dealing with agriculture.

The ongoing research cooperation between the institute and the department in Sweden is continuously improving the capacity for research and policy analysis. The 3rd Workshop on Research and Education in the Field of Agricultural Economics in Macedonia that was held in Ohrid, Macedonia, September 22-25, 2009 is one sign of that. During 2009 the sectoral study of Macedonia agriculture was finalized and is expected to be published in 2010. The work on measuring support to Macedonian agriculture resulted in the report *Support to Agriculture in FYR Macedonia: An Exploratory Assessment (1999-2004)*.

Cost of production for Macedonian agriculture using FADN-type data

The research project aiming at estimating costs of production for Macedonian agriculture using Farm accounting data continued during 2009. The plan is to develop farm-representative models based on positive mathematical programming (PMP) to study farm performance and/or to conduct policy analysis. The first results with regard to 2005-2007 data per region, farm type and farm size, as compared with 2001 data was presented at the workshop in Ohrid. The Swedish farm business plan was further adapted to Macedonian conditions in 2009.

The new University Charter that came into effect on January 1st 2009 originated a phase of intensive change in the Higher Education of Macedonia. The driving force was the need and will to reform the structures of the higher education in line with the Bologna Declaration. With the new charter in place it was not only possibly but pressing to reform the educational programmes according to the principles of the Bologna Declaration, a task that has been postponed several times with implications for the activities of the project. The FAF should provide reforms in the BSc, MSc, and PhD programmes. In order to develop a new PhD programme at IAE, and to improve the current BSc and MSc programmes, the project offered Swedish assistance in that process. Two Macedonian representatives visited Sweden to get acquainted with the PhD-programme offered at DE.

b. Project objective 2: BICA

“Establishment of an independent institute in agricultural economics with graduate education and research of internationally recognizable quality.”

In 2009 and after several delays the Balkan International Centre for Agricultural Economics (BICA) was finally established. Although, the formal status of the centre is yet to be resolved the first round of students initiated their MSc-studies at the new two-year International Masters programme offered in the framework of BICA in the fall of 2009. The students have the possibility to acquire a double degree, one from the University of Ss Cyril and Methodius in Skopje and one from the Swedish University of Agricultural Sciences, SLU, in Uppsala. This on the condition that the students meet the same formal requirements of both involved parties.

With the first round of students accepted and attending courses the graduate education set out in the objective is thus established. The arrangements that can be made on forehand have been made to guarantee that the education really is of an internationally recognized high quality. Both parties share the responsibility to assure that each course meets international academic standards

for the master level and is of high quality. The bulk of this work is of course the responsibility of the involved teachers.

Given that the formal status of the centre yet is to be resolved, the research work set out in the objective has not come any closer to realization during 2009. The focus during 2009 has been on the master programme.

c. Project objective 3: Policy Analysis

“Improved governmental staff and other actors’ in the industry capacity to undertake policy formulation and economic analysis of issues of strategic importance for the agricultural sector.”

The sectoral study of Macedonia agriculture that was finalized in 2009 and is expected to be published in 2010 as well as the ongoing work on measuring support to Macedonian agriculture two project activities aimed at the actors of the sector and with a policy focus. The report Support to Agriculture in FYR Macedonia: An Exploratory Assessment (1999-2004) constitutes the first attempt to give a comprehensive appraisal of the support to agriculture in the Macedonia along the lines of OECDs methodology for the measurement of support. The results obtained offer several valuable insights, in a national, regional and international context regarding the level and composition of support in Macedonia. Further research will “fine-tune” the results, but already as presented in the report they offer a base for policy evaluation. The Swedish farm business plan that was further adapted to Macedonian conditions in 2009, is another tool that will facilitate policy formulation and economic analysis of issues of strategic importance for the agricultural sector.

The fact that the students that have been taking part in capacity development as part of the project, in one way or another have been retained in the field of policy formulation and economic analysis in Macedonia is also contributing to the fulfilment of this goal.

Project work with basic values

This project has committed itself to a set of core values and will thus in all its activities strive for democracy, gender equality, respect for sexual orientation and disability, respect for minorities, the environment, and no corruption. Given the nature of the project as a cooperation between two universities on education, research and policy analysis the main focus of this work has been on equality of opportunity, student influence and social and ethnic diversity at the higher education institutions.

The differences in how students in Sweden and in Macedonia can influence their education have been a topic in study visits, teachers exchange and in the preparations for BICA.

Discrimination against someone on the grounds of gender, ethnic belonging, religious beliefs, sexual orientation or disability is a problem in many societies. The different ethnic groups in Macedonia to a large extent carry on their lives separated from each other. While the second largest minority, the Albanians have got a stronger position with the Ohrid accord from 2001 other minorities have fallen behind. The composition of the IAE reflects this reality. Almost all students and personnel at IAE come from the majority group. Out of all minorities, the Roma is probably the most underrepresented group at IAE. Given this reality, how to improve the accessibility of higher education for minorities has been a topic for continuous discussions. As a result the master programme at BICA has been promoted both in Macedonian and in Albanian.

Project plans for 2010-2012

The second project phase has begun in January 2008, on the basis of the project document dated November 16, 2007. Following the recommendations by the Quality Assurance Team, whose task is to evaluate the project objectives and the implementation progress, the project was to revise the project objectives in order to be determined in line with the project activities. Beside the revision of the project objectives, the project team was also working on the revision of the activities' structure for the next project period. According to the agreement, the second phase should last until the end of 2010. Considering that there are project activities that are ongoing activities and will not be finished until the end of 2010, the project has requested a phasing out period of two years more. There from, the project prepared a strategy for the three years period 2010-2012 in order to provide sustainable results, especially for the IAE as an institution that needs Swedish assistance in the capacity building process. In order to prepare a sustainable strategy, the project asked the IAE to also prepare strategy for its development in the further period.

Considering the increased interest by the students to study agricultural economics, the increased participation in different international and national projects, as well as the expertise available at IAE, it has set up a vision to develop into key national and regional recognised institute for research and education in agricultural economics. At the same time, its mission is to create a strong link between education and research in close collaboration with interested parties in the sectors concerned, in order to pursue knowledge of agriculture related sciences for its sustainable utilisation. In order to accomplish its mission and vision, the IAE objectives are divided for education and research, i.e. to engage all the students in a distinctive, high-quality research-driven learning experience, and to improve the competitiveness as a national and regional research driven Institute committed to research of the highest quality. Therefore, the institute will be focused on providing the students with an innovative education that equips them with the relevant decision-making, analytical, entrepreneurial and sustainable skills, will conduct an intensive reform of the curriculum (BSc and MSc level) so as to provide one that is distinctive and attractive to students at national and regional level, as well as will ensure that the research expertise informs and inspires the development, management, and delivery of the learning and teaching activities, both at undergraduate and postgraduate level. All these sub-strategies are mainly focused on the educational development of the institute, but considering that it should also develop into a modern research driven institute, the IAE staff will continuously work on improvement the quality of the research, will increase and

promote the knowledge transfer and commercialisation activities by engaging proactively with industry and the public sector to maximize the cultural, economic, and social benefits generated from the research projects, as well as will disseminate the research outcomes through peer reviewed publications, conferences and commissions.

On the basis of the aforementioned strategy of the institute, the project has developed its own project plan for the period 2010-2012, structured in a way that will present how the project immediate objectives could be accomplished. The new structure is as follows:

1. Institute of agricultural economics
 - a. Education
 - i. Curriculum Development (BSc, MSc and PhD programme)
 - ii. Language courses for undergraduate students
 - b. Research
 - c. Staff Development
 - d. Infrastructure
 - e. Policy Evaluation Unit
2. International master programme in agricultural economics and resource management
3. Life-long learning
4. Scholarships (MSc and PhD students)

On the basis of the defined structure, the project has divided the activities according the three different levels of priorities. The first priority activities are the activities that the project is obliged to accomplish according the project agreement and the project document prepared for its second phase. The second level priorities comprise the activities that should be accomplished in order to reach the immediate project objectives, and there from the development project objective, while the third level of activities are the activities that will provide long term results for institute.

Hence, during the period 2010-2012, the project will be mainly focused on providing the scholarship for the master and the doctoral students at SLU, as well as on supporting the first and the second generation of students at the international master programme at IAE, as part of the first level activities. Besides that, the second level activities will be also considered. These activities comprise Swedish assistance in developing additional teaching material for the undergraduate students, developing new master and PhD programme at IAE, supporting new research projects, increasing the staff

development activities by increasing the participation in different conferences and trainings, as well as offering support to the stakeholders. By organising most of the second level activities, and the support of the stakeholders, the project expects to achieve the first and the second immediate objectives. On the other hand, the activities which will provide long term results for the institute and which are considered as third level activities are mostly focused on the general services offered at the faculty, such as the library renovation, the network improvement, the language courses for the students, and the establishment of the policy evaluation unit.

Following this project plan, the expectations are that the project objectives will be accomplished until the end of 2012, and that the capacity developed during all these years will be one of the most sustainable results for the IAE and its future.

Future plans for BICA

In order to establish BICA (a Balkan International Centre for Agricultural Economics) it was necessary to investigate the possibilities. There are three of them:

1. Centre as an dependent body under the University;
2. Centre established as a private entity, and
3. Centre created as an association.

Firstly, to create a centre under the University of “Ss. Cyril and Methodius” (UKIM) in Skopje has already taken a lot of unforeseen time. The reason behind is that UKIM had gone into a period of transformation during the year 2009, and there still have been some issues that remained unsettled. One of them is the UKIM’s regulation (Rulebook) for Centers. It is still unclear and uncertain when the Rulebook will be enacted. Even if there is a Rulebook, the Centre has to have at least few full-time employees if it is established under the University. Centre then, will be a governmental institution, and therefore, it will be very difficult to get job positions since the government has to permit the employment. According to the inside information from the university, Centers would not be allowed to be registered for education anymore, but it could be registered for research.

Secondly, a centre as a private entity is referring to a profit organization which is beyond project’s goal. And finally, the only reasonable solution is to create the centre as an association which could be done within 15 days – one month period. The association could employ people any time. However, it still cannot be registered as an entity that could issue an educational degree, but still it could be a research institution which will use the built human capacities developed under the UniCoop project.

The researchers at BICA will benefit from the Faculty’s facilities reducing the costs for rent for offices and classrooms, electricity, water, etc. Another incentive to keep the researchers will be the support they will have from the Faculty when they submit research proposals. They will be full-time employees with covered social costs. Their salary, therefore, will depend on the amount of research they do. The main researchers will be the current PhD students, and the current MSc students will have research assistant positions.

At the other hand, the International Master in Agricultural Economics and Research Management, which was established under UniCoop as a double degree master between UKIM and SLU, will remain at the Faculty of Agricultural Sciences and Food-Skopje (and is already accredited as such); since it is the only way it could be maintained. To keep the international character, the programme will remain to offer lectures in English. In the

proposal is clear how the teaching load between the Macedonian and Swedish teachers is divided: year by year the Swedish participation is reduced while the Macedonian is increased. This is an indicator to show the successful transfer of knowledge between the both parties which was/and still is realised within the project. Since the Faculty will keep the programme it will be its responsibility to take care of the teaching staff. The teaching staff will be strengthened with the researchers from BICA having a formal contracts serving as a link between BICA (the research party) and the International Master (the educational party). In this way there will be an interrelationship between the PhDs, MScs and the Institute of Agricultural Economics which all benefited from the SIDA's support.

Appendix 1: Financial Report in Figures

Activity	TOTAL BUDGET			OUTCOME			BALANCE
	2009			2009			
	Mac + Sw	Macedonia	Sweden	Mac + Sw	Macedonia	Sweden	
Education Programme							
BSc							
Curriculum Development							
Fees	480 000	58 500	421 500	232 361	17 601	214 759	247 639
Reimbursable costs	295 700	131 100	164 600	168 537	102 350	66 186	127 163
<i>Sum Curriculum Development</i>	775 700	189 600	586 100	400 897	119 952	280 946	374 803
MSc							
Swedish Day							
Fees	0	0	0	0	0	0	0
Reimbursable costs	13 400	6 300	7 100	7 082	587	6 494	6 318
<i>Sum Study Visit</i>	13 400	6 300	7 100	7 082	587	6 494	6 318
Language Courses	118 220	118 220	0	110 212	110 212	0	8 008
MSc							
Fees	422 700	7 000	415 700	373 482	4 514	368 968	49 218

Reimbursable costs	269 000	63 800	205 200	124 808	36 410	88 398	144 192
<i>Sum MSc</i>	691 700	70 800	620 900	498 290	40 924	457 366	193 410
BICA							
Fees	644 500	187 300	457 200	520 175	195 735	324 440	124 325
Reimbursable costs	307 400	267 600	39 800	214 895	172 682	42 213	92 505
<i>Sum Centre</i>	951 900	454 900	497 000	735 070	368 417	366 653	216 830
PhD							
Fees	1 155 000	376 000	779 000	759 032	204 466	554 566	395 968
Reimbursable costs	430 500	146 200	284 300	150 165	13 639	136 526	280 335
<i>Sum PhD</i>	1 585 500	522 200	1 063 300	909 197	218 105	691 092	676 303
Sum Education Programme	4 136 420	1 362 020	2 774 400	2 660 748	858 197	1 802 551	1 475 672
Research Programme							
Research							
Fees	609 800	322 800	287 000	426 404	186 096	240 308	183 396
Reimbursable costs	322 500	236 000	86 500	245 267	163 264	82 003	77 233
<i>Sum Research</i>	932 300	558 800	373 500	671 671	349 360	322 311	260 629

Advisory System							
Fees	61 900	0	61 900	31 733	0	31 733	30 167
Reimbursable costs	0	0	0	0	0	0	0
<i>Sum Advisory System</i>	61 900	0	61 900	31 733	0	31 733	30 167
Sum Research Programme	994 200	558 800	435 400	703 404	349 360	354 044	290 796
Staff Development							
Fees	0	0	0	0	0	0	0
Reimbursable costs	236 700	236 700	0	135 055	135 055	0	101 645
Sum Staff Development	236 700	236 700	0	135 055	135 055	0	101 645
Facility Upgrading							
Computer Lab							
Fees	57 800	57 800	0	59 737	59 737	0	-1 937
Reimbursable costs	577 900	577 900	0	92 536	92 536	0	485 364
<i>Sum Computer Lab</i>	635 700	635 700	0	152 273	152 273	0	483 427
Literature & Journals							

Reimbursable costs	119 200	88 000	31 200	50 489	31 428	19 061	68 711
<i>Sum Literature & Journals</i>	119 200	88 000	31 200	50 489	31 428	19 061	68 711
Sum Facility Upgrading	754 900	723 700	31 200	202 762	183 701	19 061	552 138
Project Administration, reviews etc							
Fees	646 700	207 500	439 200	693 595	205 423	488 172	-46 895
Reimbursable costs	103 800	65 400	38 400	119 325	67 220	52 104	-15 525
Macedonian overhead on all activities	234 500	234 500	0	220 122	220 122	0	14 378
Sum Project Administration, reviews etc	985 000	507 400	477 600	1 033 041	492 766	540 276	-48 041
TOTAL FOR THE PROJECT	7 107 220	3 388 620	3 718 600	4 735 011	2 019 079	2 715 932	2 372 209
of which							
Fees:				3 316 641			
Administration (OH):				726 356			
Reimbursable costs:				1 418 369			



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