

## Data Sheet

<b>USAID Mission:</b>	Macedonia
<b>Program Title:</b>	Economic Growth
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	165-0130
<b>Status:</b>	Continuing
<b>Planned FY 2006 Obligation:</b>	\$9,631,000 AEEB
<b>Prior Year Unobligated:</b>	\$465,000 AEEB
<b>Proposed FY 2007 Obligation:</b>	\$7,505,000 AEEB
<b>Year of Initial Obligation:</b>	1994
<b>Estimated Year of Final Obligation:</b>	2010

**Summary:** The focus of the economic growth program is to accelerate the development and growth of the private sector by increasing the competitiveness of private firms and improving the business environment.

### Inputs, Outputs, Activities:

#### FY 2006 Program:

Improve Economic Policy and the Business Environment (\$2,310,000 AEEB, \$465,487 AEEB prior year recoveries). USAID assistance will continue to improve the business environment in Macedonia. Making it easier to do business will encourage new businesses and help existing businesses grow, thereby creating jobs and addressing the issue of high unemployment. E-government applications related to procurement, tax administration, and recruitment will be expanded with new services to government agencies, businesses and citizens, focusing on Information and Communications Technology (ICT) security and the health care sector. Assistance will target passage and implementation of a new bankruptcy law, establishment of a one-stop-shop for registration of companies, encouragement of corporate social responsibility, and introduction of a corporate governance code. The business environment will be further improved by strengthening public-private dialogue, facilitating trade in goods and services, rationalizing the legal and regulatory framework, advising on public capital investment and decentralization, and restructuring the labor market. Even though Macedonia has completed priority reforms in the financial and energy sectors, minor interventions will be considered in order to finalize and build on previous activities and successes. Principal contractors: Emerging Markets Group (prime) and to be determined (TBD). Principal grantees: Internews Network (prime) and Financial Services Volunteer Corps (FSVC) (prime).

Improve Private Sector Competitiveness (\$5,899,000 AEEB). USAID assistance will focus on ensuring sustainability of the five existing industry clusters - wine, tourism, apparel, information technology, and lamb and cheese. A new activity will provide technical assistance and training to help new clusters build their capacity, develop and implement a strategy to grow the industry, upgrade their products and services, and effectively deliver them to the global market. USAID will build the capacity of the local consulting industry, and training and educational institutions, to ensure the availability of valuable services and skilled employees to the clusters. Public-private partnerships will receive strong support to transfer new technologies and initiate innovation in companies. Funding will be used to leverage private funding in support of these initiatives. One such project will strengthen the capacity of companies and non-profit environmental organizations to collect and process plastic waste. USAID will continue to assist the seven e-business centers that provide innovative solutions and services based on ICT, such as CAD/CAM services, web portals, and on-line management training centers, by working to ensure the sustainability of these businesses through training to improve the managerial and sales skills of their employees. The Digital Media Film City project will receive support through specialized training and consultancy services. It is expected to grow into a center for production and postproduction of feature movies including special effects. Principal contractor: Booz-Allen Hamilton (prime), and TBD. Principal grantees: Academy for Institutional Development (prime), Crimson Capital (prime), and World Council of Credit Unions (WOCCU) (prime).

Increase Agricultural Sector Productivity (\$1,422,000 AEEB). USAID will continue to support the meat, dairy, and fruit and vegetable producers, processors, and food retailers in Macedonia to become more profitable and competitive in domestic and international markets by enhancing quality and production efficiency, and by adding value to products. Assistance will be provided to sheep breeders, slaughterhouses, and industry associations to become more quality conscious, efficient, and profitable. The National Meat and Dairy Association, the Quality Control Laboratory, and the Seal of Quality Program will be transformed into sustainable industry-led and financed entities, becoming a lobbying force to represent their sector's interests. Work will continue towards obtaining international laboratory accreditation and ISO certification. Principal grantee: Land O'Lakes (prime).

**FY 2007 Program:**

Improve Economic Policy and the Business Environment (\$3,700,000 AEEB). The business environment activity will provide technical assistance for the implementation of a focused and successful national economic development strategy, which includes readily available data and economic analysis. Public-private dialogue will be supported to become institutionalized and applied regularly in developing crucial strategies and policies. Investment will be encouraged through introduction of new financial products, including products for non-bank financial services. Legal and administrative measures which prompt the labor market to be more flexible and perform better will be targeted. Independent stakeholders such as regulatory agencies, associations, and think tanks will be supported in their capacity to help the government identify and solve impediments to growth. New services from government to government agencies, businesses, and citizens will be developed by expanding the use of ICT. Principal contractor: TBD.

Improve Private Sector Competitiveness (\$2,828,000 AEEB). A new competitiveness activity will select a new set of clusters to receive technical assistance and training, targeting industries that have strong export potential and can generate high income jobs. Support will be provided for transferring knowledge and skills to the local consultant base so they can work with the clusters on developing strategies and implementation plans. A competitive Global Development Alliance (GDA) approach will be applied to industries that are willing to invest in their companies' development. Principal partner: TBD.

Increase Agricultural Sector Productivity (\$977,000 AEEB). The agribusiness sector will receive support through agricultural policy reforms combined with advanced science and ICT applications. Specific sectors or clusters will be selected and supported. Principal contractor: TBD.

**Performance and Results:** In FY 2005, the Government of Macedonia received its first ever sovereign debt rating, a respectable "BB+" from Standard and Poor. Treasury bills were introduced and have become a regularly traded financial instrument. A new law on securities was introduced. The pension system was reformed; a voluntary insurance component and two pension funds are being introduced successfully. The quality of corporate governance and level of shareholder awareness were improved significantly. A new modern Electronic Communications Law was adopted, establishing the legal basis for full liberalization of the telecommunications market. USAID assistance resulted in significantly increased exports of lamb, wine, cheese, garments, software, and digital media products, and more foreign tourists visited Macedonia. The European Food Safety Inspection Service audited and awarded three client firms with the highest level of accreditation, and an exporter and his suppliers were certified with EurepGAP (EU recognized) accreditation.

Successful completion of the Economic Growth objective will be marked by: a) a business environment that attracts increased levels of domestic and foreign investment; b) a growing number of Macedonian businesses profitably competing in the global marketplace; and c) increased employment in the private sector.

## US Financing in Thousands of Dollars

Macedonia

	AEEB	ESF
165-0130 Economic Growth		
<b>Through September 30, 2004</b>		
Obligations	107,777	140
Expenditures	96,621	140
Unliquidated	11,156	0
<b>Fiscal Year 2005</b>		
Obligations	11,490	0
Expenditures	13,533	0
<b>Through September 30, 2005</b>		
Obligations	119,267	140
Expenditures	110,154	140
Unliquidated	9,113	0
<b>Prior Year Unobligated Funds</b>		
Obligations	465	0
<b>Planned Fiscal Year 2006 NOA</b>		
Obligations	9,631	0
<b>Total Planned Fiscal Year 2006</b>		
Obligations	10,096	0
<b>Proposed Fiscal Year 2007 NOA</b>		
Obligations	7,505	0
Future Obligations	0	0
Est. Total Cost	136,868	140