

## 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>Proposed FY 2004 Obligation:</b>	\$10,350,000 AEEB
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2005 Obligation:</b>	\$8,800,000 AEEB
<b>Year of Initial Obligation:</b>	FY 1994
<b>Year of Final Obligation:</b>	FY 2006

**Summary:** USAID's program to accelerate the development and growth of the private sector will focus on strengthening financial sector institutions, increasing the competitiveness of private firms, and improving the enabling environment for investment.

### Inputs, Outputs, Activities:

#### FY 2004 Program:

Strengthening the financial sector (\$3,800,000 AEEB). USAID assistance is building a financial sector that is dynamic and provides the necessary capital for economic growth. The capital market program is improving the legal and regulatory framework and bringing the stock exchange, securities commission, and central registry of shares and brokers into compliance with international best practices. The law on non-bank financial institutions will be amended to make the capitalization of these institutions easier, and to make them part of the payment system. Once new audit and accounting laws compliant with International Federation of Accountants (IFAC) standards are passed, assistance will focus on implementation of these laws and the establishment of self-regulating organizations of accounting and auditing professionals. USAID will support the Government of Macedonia (GoM) in implementing investment of pension contributions in privately managed funds and developing reliable investment mechanisms. In the banking sector, assistance to develop a credit information agency will enable banks to make informed lending decisions. Upon request from the GoM, USAID is developing a treasury bills auction that will provide funding to cover the budget gaps and absorb excess liquidity. Establishing a credit rating for Macedonia will encourage foreign direct investment. The National Bank will also benefit from USAID assistance. Program implementers are: Deloitte Touche Tohmatsu (prime), Financial Sector Volunteer Corps (prime).

Improving the competitiveness of the private sector (\$3,150,000 AEEB). USAID is developing selected industry clusters (meat and dairy, and tourism) to increase the competitiveness of products and to enable them to penetrate foreign markets. At least 10 initiatives per cluster will be implemented using local business service providers. Two more clusters were recently formed: information and communication technology and grape/wine. A fifth cluster will be added in 2004. Institutional strengthening in the areas of policy, economic analysis, and advocacy will be carried out with the National Entrepreneurship Competitiveness Council (NECC), which is envisaged to become the permanent steering mechanism for public-private sector dialogue in Macedonia. The recently established Small and Medium Enterprise (SME) finance fund will provide at least \$3 million in specialized purchase order financing to approximately 60 SMEs in 2004. Interested local banks will be trained to provide this type of innovative financing. The widely recognized Seal of Quality and agribusiness programs for meat and dairy products will be expanded to include fruit and vegetable products as well. USAID will provide technical assistance and grants to foster public-private partnerships, promote entrepreneurship, build SME networking capacity, and conduct market research. Program implementers are: Booz-Allen Hamilton (prime), Crimson Capital (prime), Land of Lakes (prime).

Improving the investment environment (\$3,400,000 AEEB). USAID will support implementation of the new Company Law that streamlines company registration and introduces modern and comprehensive corporate governance requirements. This support will include a public education campaign, preparation of simplified forms and manuals, and training for shareholders, businesses, and the legal community. Fifteen publicly traded companies will receive assistance to improve their corporate governance. USAID will assist the GoM in implementing the legal and regulatory regime required as a World Trade Organization (WTO) member. Mechanisms will be developed to foster public-private dialogue and increase private sector participation in trade policy formulation. In the fiscal area, assistance will focus on improving the transparency and accountability for revenues and expenditures of central and local government institutions. This assistance improves tax administration, builds capacity for accounting and auditing, disseminates integrated financial management systems, supports the Financial Police, and introduces e-government. To facilitate the privatization of the energy sector, USAID helped form the Energy Regulatory Commission to implement energy efficient strategies. Program implementers are: Deloitte Touche Tohmatsu (prime), Booz-Allen Hamilton (prime).

**FY 2005 Program:**

Improving the competitiveness of the private sector (\$4,350,000 AEEB). In industry competitiveness, all five selected clusters will develop business strategies for increasing the quality of their products and the volume of their exports. Implementation of various cluster level initiatives derived from the business strategies will continue. Support to the National Entrepreneurship Competitiveness Council will build independence and sustainability of this institution. Ongoing technical assistance to agricultural sub-sectors will focus on generating employment through local economic development.

Improving the investment environment (\$4,450,000 AEEB). USAID assistance in commercial law reform will continue to focus on implementation of the Company Law, enforcement of corporate governance provisions in selected companies, and harmonization of related commercial laws. Continuing support will be provided to WTO compliance needs and mechanisms for fostering dialogue between the government and the private sector. Assistance in the fiscal area will address management of public revenues and combating corruption by developing audit, treasury, and budget systems, procurement systems, e-government, a financial intelligence unit, and financial crimes investigation capacity. USAID will continue assistance to develop the financial sector. Special emphasis will be placed on increasing the role of non-bank financial institutions, improving laws and regulations, developing GOM treasury bills and bonds, and implementing pension system investments in privately managed funds.

**Performance and Results:** A major achievement in 2003 was an amendment to the Company Law prohibiting "management agreements" which were previously used by managers to deprive employees/shareholders of voting rights and freedom to trade stocks for five years. Participants in the meat and dairy Seal of Quality program significantly improved performance (including increased sales), improved profitability, compliance with improved industry standards, and increased market share in the domestic and export markets, while it increased investment and introduced new technologies. NECC, composed of 25 members from public, private and civil society sectors, was established to shape national economic priorities. USAID SME lending activities disbursed loans of \$7.6 million, exceeding its target by 19%. The Energy Regulatory Commission was established in 2003 to implement energy efficient strategies.

By program completion, USAID interventions will contribute to more vibrant financial markets, a more enabling legislative framework based on international standards, and better managed Macedonian businesses capable of competing in the global market. This will result in an increase of foreign direct investment to \$100 million per year, a 10% increase in total annual exports and 65% of the workforce employed in the private sector by 2006.