

Macedonia

The Development Challenge: Macedonia has the challenge of making the political and economic reforms required for European integration and better lives for its citizens. It must also provide a more secure and stable environment free from conflict. The spring 2001 crisis between ethnic Macedonians and ethnic Albanians still has lingering effects on the country. Passing the Law on Local Self Government and conducting peaceful and fair parliamentary elections in September 2002 were two significant steps toward furthering the peace process and stability. While substantial progress was made this past year in implementing the Framework Agreement, the peace accord that brought the conflict to an end, ethnic tension still exists. Sporadic ethnic-inspired acts of violence still occur. Certain Framework Agreement provisions, such as minority rights, have not yet been implemented. Patronage and corruption have obstructed transparency and accountability in the political system. Furthermore, civil society is not sufficiently developed to exert significant influence over the actions of neither political players nor function proactively to meet citizens' needs. Lastly, the judiciary remains financially dependent on the executive branch and does not exert adequate checks and balances in the system. The Macedonian Government must also address a number of serious economic issues. In 2002, the Macedonian economy experienced only a very modest recovery from the decline of the previous year. The unemployment rate is over 30% and, for those who are employed, salaries in real terms remain well below their levels in the early 1990s. Even though the financial system remains stable and regained citizens' confidence, it still fails to provide the necessary capital for expansion of the private sector. One positive development was Macedonia's integration into the global economy when it completed the protocol for accession into the World Trade Organization in September 2002. The next challenge is ratification and implementation.

Macedonia remains one of the poorest of the successor states of the former Socialist Federal Republic of Yugoslavia. In 2001, the year that the inter-ethnic conflict broke out, real GDP fell by 4.1%, but is expected to grow in 2002. External debt as of August 2002 was about 40.4% of GDP. A new Stand-By Agreement remains to be negotiated with the International Monetary Fund.

Key U.S. national interests in Macedonia include national and regional stability, economic prosperity, and democratization. Macedonia can also be a key partner in combating organized crime and extremists in the region.

The USAID Program: As a result of the USAID strategy approved in 2001, programs are directed at fundamental causes of potential conflict in Macedonia. Some of the conflict triggers targeted by the USAID program are: high unemployment, a struggling economy, limited opportunities for inter-ethnic cooperation and understanding, lack of minority participation in the public sector, a weak civil society, and an over-dependence upon the government's patronage system for jobs and business opportunities. The new multi-ethnic coalition government that was elected in September 2002 has a broad mandate from Macedonia's citizens. The government is committed to implementing the Framework Agreement and to economic and political reforms. The USAID program is aimed at addressing the main challenges that Macedonia faces. FY 2003 funds will be used to implement the ongoing program as described in the FY 2003 Congressional Budget Justification. FY 2003 funds will also be used to carry out a more comprehensive program in information technology. The principal strategic objectives are to: accelerate private sector growth, improve the legitimacy of democratic institutions, mitigate the adverse social impacts, and train key leaders and decision makers in areas which support the program. In the economic growth sector, activities include increased competitiveness, financial sector reform, WTO accession, corporate governance and improving the enabling environment for investment, and energy privatization. Democracy activities include building on the successful passage of key laws in the Framework Agreement, continuing to assist in drafting and implementing other provisions, decentralization of government, legal reform and community development. In response to the worsened social condition of Macedonia, USAID is addressing workforce problems by creating labor force demand through local economic development as well as addressing labor policy changes required at the national and local levels. Lastly, to improve the human capital of the country, USAID is modernizing the education system by introducing critical thinking and interactive teaching methodologies and by ensuring that primary and secondary students have access to technology. This, in turn, will contribute to a better trained workforce.

Details of the specific program to be funded by FY 2003 and FY 2004 funds are described in the Program Data Sheets.

Other Program Elements: The Democracy Conflict and Humanitarian Assistance Bureau's Office of Transition Initiatives (OTI), through its Confidence Building Initiative, has successfully and substantially contributed to U.S. Government efforts to build inter-ethnic cooperation and create a supportive environment for the Framework Agreement's implementation. OTI provided over 300 grants valued at \$6.7 million to 77 of Macedonia's most vulnerable communities to support local initiatives; strengthened the capacity, responsiveness and accountability of local government; and increased availability and access to balanced information and diverse points of view.

The Europe and Eurasia Bureau is funding three projects from the Europe regional budget in Macedonia. The Strengthening the Youth Sector and Building Capacity in the Balkans Program provides exchange programs and grants for non-governmental organizations supporting youth in South Eastern Europe countries. In these exchanges, they share information and technical expertise on civil society's role in improving employment, technology, non-formal education, health, civic education, and democracy building. Another project is the EcoLinks Partnership Grants Program that strengthens the capacity of businesses and municipalities in the region to develop and implement market-based solutions to urban and industrial environmental problems. An energy project has also assisted the GOM in passing the Energy Law that allows for establishing a regulatory agency, which will also be aided in its formative stages. The project assists Macedonia in its participation in developing a regional energy strategy.

Other Donors: USAID works closely with other donors on issues of particular interest to the U.S. Government such as decentralization, development of small and medium size enterprises, reforms in education, financial and pension systems. The United States and the European Union (EU) are the largest donors in Macedonia. The European Agency for Reconstruction (the EU's development arm) focuses on good governance, institution building, rule of law, market economy development, environment, infrastructure, social development, and civil society strengthening. The Dutch government is the third largest donor, providing balance of payment assistance, support to the education, agriculture and public finance reforms; and assistance for development of a civic society and respect for human rights. Macedonia also receives assistance from German, British, and Swedish governments.

**Macedonia
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
Asst. for E. Europe and the Baltic States	33,126	49,506	50,000	39,000
Total Program Funds	33,126	49,506	50,000	39,000

STRATEGIC OBJECTIVE SUMMARY

165-0130 Economic Growth				
AEEB	7,866	13,800	12,505	10,588
165-0200 Democracy and Governance Reform				
AEEB	0	12,770	15,845	12,434
165-0210 Civil Society				
AEEB	4,485	0	0	0
165-0230 Local Government				
AEEB	2,083	0	0	0
165-0340 Social Transition				
AEEB	281	7,105	6,730	8,028
165-0410 Special Initiatives				
AEEB	10,500	5,120	4,560	100
165-0420 Cross-Cutting Programs				
AEEB	3,271	4,300	4,410	3,200
TRANSFER				
AEEB	4,640	6,411	5,950	4,650

Mission Director,
Richard Goldman

Data Sheet

USAID Mission:	Macedonia
Program Title:	Economic Growth
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	165-0130
Status:	Continuing
Proposed FY 2003 Obligation:	\$12,505,000 AEEB
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$10,588,000 AEEB
Year of Initial Obligation:	FY 1994
Estimated Completion Date:	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 2003 Program:

Strengthening the financial sector (\$3,050,000 AEEB). USAID assistance to the financial sector will ensure that it becomes more dynamic and fulfills its role as the primary source of capital for economic growth. Technical assistance to the Macedonia Securities and Exchange Commission will help it comply with international standards and to enforce legal provisions to prevent market abuses. USAID will provide assistance to the Macedonia Stock Exchange, particularly as it establishes regional links to other stock exchanges. Twenty commercial banks will receive training in credit risk analysis and International Accounting Standards. USAID will also assist commercial banks to reduce non-performing loans and to form an independent bankers' association. Development of a credit information agency will help banks make informed lending decisions. Assistance to the National Bank Supervision Department will focus on training in market risk, country risk, consolidated banking and combating money-laundering. USAID will help Macedonia establish private pension funds by assistance in setting up a Pension Supervision Agency, developing the required regulatory framework, and preparing a public education campaign to enable workers to make informed choices about pension coverage. In accounting reform, USAID will teach modern accounting, help develop an independent accounting and auditors' association, and assist with accounting and auditor certification exams. The contractors are: Deloitte Touche Tohmatsu (prime), Financial Sector Volunteer Corps (prime).

Improving the competitiveness of the private sector (\$5,005,000 AEEB). A new competitiveness activity will promote regional and global competitiveness of Macedonian industries, building on the successful introduction of Seal of Quality for the meat and dairy industry. Through a demand-driven and holistic methodology, USAID will work with two to three industry clusters (initially) to help these clusters develop effective and coordinated strategies for modern product development and export promotion. Local business service providers will be included to help them improve their own capacity. Ongoing technical assistance to agricultural sub-sectors will also continue. USAID is initiating a new fund to provide specialized financing for confirmed orders, enabling enterprises to significantly expand production and trade. This type of financing is new to Macedonia and should stimulate the interest of local banks in providing this type of credit. Efforts will focus on establishing the sustainability of the savings house, Financial Services for the Citizens of Macedonia, created with USAID assistance using a credit union model. The implementers are Booz-Allen Hamilton (prime), Crimson Capital (prime), World Council of Credit Unions (prime), Land of Lakes (prime).

Improving the investment environment (\$4,450,000 AEEB). To improve the policy and legal environment for the private sector, USAID will support implementation of the new Company Law, which streamlines company registration and introduces modern and comprehensive corporate governance requirements.

This will include a public education campaign, preparation of simplified forms and manuals, and training for shareholders, businesses, and the legal community on good corporate governance. Technical assistance and training for the Ministry of Finance will continue to improve government financial management functions, including sound budget formulation, a modern treasury system, and macroeconomic analysis. Technical assistance in tax administration will develop capacity for advanced skills such as computerized audit selection techniques, industry-specific audit procedures, and improved tax collection enforcement. At the request of several ministries, USAID is helping establish a Financial Crimes Investigation Unit to enforce laws against a wide range of financial crimes including tax evasion, money-laundering and corruption in the public sector. Since Macedonia's completion of the protocol for accession into the World Trade Organization (WTO) in September 2002, it now must implement the required legal and regulatory regime; USAID will provide technical assistance for meeting these requirements. If energy privatization goes forward in 2003, USAID may provide technical assistance. Program implementers are: BearingPoint (prime), Booz-Allen Hamilton (prime).

FY 2004 Program:

Strengthening the financial sector (\$2,688,000 AEEB). USAID will continue assistance in all areas of the financial sector, including increasing the capacity of the securities regulator and stock exchange, as well as examining the potential for the development of investment funds, mortgage finance, corporate bonds, and treasury bills. In banking, the focus will remain on strengthening the National Bank Supervision Department and increasing the ability of commercial banks to extend loans to the private sector. Technical assistance to the Pension Supervision Agency will continue, as will work in accounting reform. USAID will provide limited assistance to the insurance regulator.

Improving the competitiveness of the private sector (\$3,950,000 AEEB). In industry competitiveness, two more clusters will be selected for assistance, while work with previously-selected clusters will continue to focus on helping them become competitive locally, regionally and globally. The fund providing specialized trade finance for small and medium enterprises will expand its services and interested local banks will be trained to provide this type of finance. Implementers are Booz-Allen Hamilton (prime), Crimson Capital (prime), and others TBD.

Improving the investment environment (\$3,950,000 AEEB). Efforts will intensify in implementation and enforcement of the Company Law, in particular its corporate governance provisions. Continued technical assistance to the Ministry of Finance will result in an improved budget process, a modern treasury system and the capacity for realistic macroeconomic analysis. A priority will be intense training for the Financial Crimes Investigation Unit in investigation techniques and report preparation for use in prosecution. Training to produce a cadre of professional and effective tax inspectors will continue, including work with the prosecutor's office and courts to ensure that tax laws are enforced. Assistance for achieving compliance with WTO regulations will continue. USAID may provide assistance in energy privatization and strategy development. Implementers are Bearing Point (prime), Booz-Allen Hamilton (prime), and others TBD.

Performance and Results: USAID technical assistance played a primary role in Macedonia's two great successes in improving the legislative framework for the business environment: Macedonia's signing of the protocol for acceptance into the WTO in September 2002 and the passage of the Company Law in July 2002. In improving trade capacity, the Macedonian Business Resource Center facilitated 180 trade deals worth \$10,700,000 and 12 investments worth \$6,900,000. It also organized seven Business-to-Business events both inside and outside Macedonia, providing opportunities for Macedonians and internationals to directly discuss trade and investment opportunities. Support to the meat and dairy industries resulted in the following: 26 client companies adopting advanced Seal of Quality standards; 15% increase in sales by 20% of processor clients; and 10 ethnically-mixed sheep breeders associations achieving product and brand standardization for traditional cheese. By program completion, a legislative framework based on international standards and improved technical expertise will stimulate foreign and domestic investment in the private sector. This is expected to result in an increase in foreign direct investment to \$106 million, a 24% increase in total exports, and 55% of the workforce employed in private sector.

US Financing in Thousands of Dollars

Macedonia

	AEEB	ESF
165-0130 Economic Growth		
Through September 30, 2001		
Obligations	70,254	140
Expenditures	58,611	140
Unliquidated	11,643	0
Fiscal Year 2002		
Obligations	14,704	0
Expenditures	8,689	0
Through September 30, 2002		
Obligations	84,958	140
Expenditures	67,300	140
Unliquidated	17,658	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	12,505	0
Total Planned Fiscal Year 2003		
Obligations	12,505	0
Proposed Fiscal Year 2004 NOA		
Obligations	10,588	0
Future Obligations	0	0
Est. Total Cost	108,051	140

Data Sheet

USAID Mission:	Macedonia
Program Title:	Democracy and Governance Reform
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	165-0200
Status:	Continuing
Proposed FY 2003 Obligation:	\$15,845,000 AEEB
Prior Year Unobligated:	\$176,000 AEEB
Proposed FY 2004 Obligation:	\$12,434,000 AEEB
Year of Initial Obligation:	FY 2002
Estimated Completion Date:	FY 2005

Summary: USAID's democracy and governance program focuses on: 1) increasing citizens' participation in political and social decision-making, 2) enhancing adherence to the rule of law, 3) improving the effectiveness and accountability of local government, and 4) increasing confidence in government institutions and political processes.

Inputs, Outputs, Activities:

FY 2003 Program:

Civil society strengthening (\$6,500,000 AEEB). Through technical assistance, grants, and training, USAID will strengthen the organizational capacity of local civil society organizations, including trade unions, to take an active role in improving the lives of Macedonian citizens and to better advocate for their interests. USAID will continue improving a legal framework that supports the growth and financial viability of non-governmental organizations (NGOs). Technical assistance and grants will be provided to help communities address quality of life and economic development issues. The USAID media program will continue to upgrade the professional skills of journalists, strengthen three media associations to serve the interests of the media profession, and improve the competitiveness and efficiency of media enterprises. USAID will work with the Ministry of Education to implement and sustain a civic education program in elementary schools, and continue supporting a children's television series designed to promote intercultural understanding and conflict prevention. The prime implementers are the Institute For Sustainable Communities, International Center For Non-For-Profit Law (ICNL), Louis Berger Group, American Center For International Labor Solidarity (ACILS), Catholic Relief Services, International Research And Exchanges Board (IREX), and Search For Common Ground.

Improving respect and implementation of laws (\$5,000,000 AEEB). USAID will continue providing technical assistance and grants to seven legal associations and institutions to develop an independent, well-trained, and respected judiciary, a skilled and knowledgeable legal profession, and a public informed about its legal rights. Assistance will improve the efficiency and effectiveness of the courts by introducing changes to the current laws to streamline the adjudication process, by providing training to improve the quality of judicial decision-making and the managerial skills of court personnel, and introducing organizational and procedural reforms. The prime implementers are the American Bar Association/Central European and Eurasian Law Initiative (ABA/CEELI), and DPK Consulting.

Building the capacity of local government (\$2,345,000 AEEB). USAID will continue to support the legislative reforms required to implement decentralization. Municipal associations will receive assistance to strengthen their ability to represent the interests of local government and play a key role in decentralization. Technical assistance and training will be provided so local government can use effectively their newly devolved authorities and resources, and to increase citizen participation in municipal decision-making. Assistance and grants will be provided to municipalities to address environmental issues. The contractor is Development Alternatives, Inc. (prime).

Increasing trust in political institutions and processes (\$2,000,000 AEEB). USAID will provide technical assistance to the new Parliament to enhance its role in the legislative process and its ability to receive, represent, and respond to citizens' interests and preferences in decision-making. In anticipation of the 2004 local and presidential elections, technical assistance will be provided to build the capacity of the newly-established permanent Secretariat for Election Administration and amend the legal framework for elections. Technical assistance and grants will promote internal political party reform by strengthening internal democratic practices and increasing responsiveness to constituents and members. To build public confidence in the results of the population census, USAID technical assistance will continue to develop the State Statistical Office's ability to carry out the census in accordance with international standards. The prime implementers are the International Foundation For Electoral Systems (IFES), National Democratic Institute (NDI), International Republican Institute (IRI), and the U.S. Census Bureau.

FY 2004 Program:

Civil society strengthening (\$4,512,000 AEEB). USAID will design an activity to address the needs of civil society based on the lessons learned from the Community Self Help Initiative and previous non-governmental organization strengthening activities. Assistance to labor unions and the media will continue. USAID will focus on institutionalizing the civic education program nation-wide and making it self-sustainable. The prime implementers are Institute for Sustainable Communities, Louis Berger Group, ACILS, and IREX.

Improving respect and implementation of laws (\$2,300,000 AEEB). Assistance in improving court efficiency will intensify by replicating the court reforms accomplished in six pilot courts throughout the country. The prime implementers are ABA/CEELI and DPK Consulting.

Building the capacity of local government (\$3,012,000 AEEB). The Local Government Program will continue its work on the decentralization process, more specifically on the implementation of the Law on Local Self Government as well as the passage and implementation of the Law on Local Government Financing. Consequently, assistance will focus on building local governments' capability to exercise newly-devolved responsibilities. Grants to communities for environmental activities will continue as well. The implementer is Development Alternatives, Inc. (prime).

Increasing trust in political institutions and processes (\$2,610,000 AEEB). Parliamentary assistance will continue to assist Members of Parliament with representing citizens from their electoral districts. Election support will intensify in the period up to the 2004 local and presidential elections, addressing voter and poll worker education and direct work with the State Election Commission. Political party assistance will provide assistance and training to young and promising leaders. The prime implementers are IFES, NDI, and IRI.

Performance and Results: USAID assistance has been instrumental in the implementation of the Framework Agreement, especially for the preparation of the amended Law on Local Self-Government that sets the basis for decentralization. The revitalized Mayors' Association has been educating its members about the decentralization process and the pending Law on Local Government Financing. USAID assistance was also a critical factor in the successful outcome of the September 15, 2002 parliamentary elections. It resulted in the adoption of new ballot security provisions, improvement and standardization of election administration and operation, training of over 17,000 poll workers, voter knowledge about changes in procedure and their rights as voters, monitoring by domestic and international observers, political parties adopting a code of conduct, and development of political party platforms grounded in the issues of importance to voters. Civil society organizations, including trade unions, played an active role in the elections by encouraging citizens to inform themselves of the issues and to vote, and by monitoring the conduct of the political parties and election officials. At the grassroots level, community activities successfully addressed local economic development and quality of life improvements for over 200,000 direct beneficiaries, 10% of Macedonia's population. During the strategy period, USAID expects its democracy and governance program to have increased citizen participation in political activities from 19% to 30% and in civil society organizations from 17% to over 25%; improve public confidence in receiving equal treatment in court procedures from 38% to 45%; and increase public trust of local government from 42% to 55%.

US Financing in Thousands of Dollars

Macedonia

165-0200 Democracy and Governance Reform	AEEB
Through September 30, 2001	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2002	
Obligations	12,594
Expenditures	868
Through September 30, 2002	
Obligations	12,594
Expenditures	868
Unliquidated	11,726
Prior Year Unobligated Funds	
Obligations	176
Planned Fiscal Year 2003 NOA	
Obligations	15,845
Total Planned Fiscal Year 2003	
Obligations	16,021
Proposed Fiscal Year 2004 NOA	
Obligations	12,434
Future Obligations	0
Est. Total Cost	41,049

Data Sheet

USAID Mission:	Macedonia
Program Title:	Social Transition
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	165-0340
Status:	Continuing
Proposed FY 2003 Obligation:	\$6,730,000 AEEB
Prior Year Unobligated:	\$614,000 AEEB
Proposed FY 2004 Obligation:	\$8,028,000 AEEB
Year of Initial Obligation:	FY 2001
Estimated Completion Date:	FY 2005

Summary: USAID's program to mitigate the social impacts of transition concentrates on addressing the unemployment problems in the country through local economic development and making the education system more relevant to the labor market. This program includes training and technical assistance to improve the quality of schools, decentralize the education system, and increase access to education at all levels for ethnic groups.

Inputs, Outputs, Activities:

FY 2003 Program:

Local economic development (\$3,675,000 AEEB). Building on the strengths and successes of previous labor redeployment programs in 36 municipalities, USAID will design a new activity focused on employment generation through local economic development. The goal will be to assist Macedonia in developing local economic strategies to acquire and use the skills, behaviors, and technologies needed to compete successfully in a global economy. USAID will facilitate public-private partnerships and provide technical assistance and grants to promote entrepreneurship; build the capacity of micro, small, and medium enterprises in order to create jobs and reduce poverty; and assist municipalities to create an environment for local businesses. USAID will consider a program related to information communication technology (ICT) by establishing ICT centers for students and unemployed. The ICT component could include regulatory and development aspects of e-government, e-commerce and e-education. This would promote a pro-competitive policy where the private sector could rapidly expand. In addition, to assist local artisans, particularly those in rural areas and women, USAID will continue an activity that provides technical assistance in product development and marketing thus increasing their ability to generate and maintain sales beyond USAID assistance. By the end of FY 2003, 30 new product lines will be developed and \$375,000 in local and export sales will be generated. The implementer is Aid to Artisans (prime)

Improving access to education (\$1,055,000 AEEB). To support the new multi-ethnic, multi-lingual, private South East European University (SEEU) in Tetovo, USAID established a three-year partnership with Indiana University to improve academic and instructional skills, upgrade faculty and curriculum, and teach basic English and information technology skills. The program will award five to seven fellowships for students to obtain their Master's Degree at Indiana University. These graduates will form the core of the future SEEU faculty, strengthening the quality of academic instruction and research. The program will also provide scholarships (totaling \$100,000) for SEEU students with financial needs. USAID will fund a small pilot activity that will target Roma children, the most educationally-disadvantaged ethnic group in Macedonia, by providing them with proper preparation for successful entry into the Macedonian educational system. The implementers are the Association Liaison Office for University Cooperation in Development (prime), Indiana University (sub), Foundation Open Society Institute Macedonia - FOSIM (prime).

Reforming the education system (\$2,000,000 AEEB). USAID is supporting an intervention in 45 primary schools and 18 general secondary schools to increase the number of youth equipped with critical-thinking, problem-solving, and computer skills. The program will train teachers in information technology skills and interactive teaching methodologies to improve student learning. USAID will support a short-term training program for improving the organizational and managerial skills of vocational school administrators. Afterwards, these trainees will form a policy-advisory group to address the professionalization and certification of school administrators. A team of local education consultants will identify priorities needed to improve Macedonia's secondary education system which would make graduates more employable. The final recommendations will form the basis for the design of a long-term education program focused to enhance the relevance of vocational schools and identify ways to strengthen their linkages with local business enterprises. The implementer is the Foundation Open Society Institute Macedonia (FOSIM) (prime).

FY 2004 Program:

Local economic development (\$2,350,000 AEEB). USAID will continue to work nationwide to assist local communities in developing a workforce with the knowledge and ICT skills needed to compete in a modern market economy. Technical assistance to the artisans sector will continue by helping them to develop 75 product lines in total and generate an estimated \$800,000 in sales. Implementer TBD.

Improving access to education (\$1,000,000 AEEB). USAID will continue to support the SEE University through its partnership with Indiana University. Assistance for the Communication Studies and Information Technology courses will be provided. A graduate-level Language Education Certificate will be offered to students, and an undergraduate-level Information Technology Certificate will be available via distance learning. USAID intends to complement the Ministry of Education and other donors' efforts in improving the use of information technology for instruction in primary and secondary schools. To upgrade the Ministry's database system, USAID may provide technical assistance to develop a management information system that would provide accurate and timely data on enrollments and other indicators of school performance. The implementers are Association Liaison Office for University Cooperation in Development (prime) and Indiana University (sub).

Reforming the education system (\$4,678,000 AEEB). USAID intends to implement a long-term education program that will better prepare youth for employment. This could include training and technical assistance, improving ICT skills at the elementary and high school levels, fostering closer ties between the education and private sectors, and assuring greater inclusion of ethnic minorities and women at the secondary level. Implementer TBD.

Performance and Results: The South East European University (SEEU), currently in its second year of operation, is preparing students for meeting the requirements of public and private sector employers. It provides curricula relevant to Macedonia's development needs. The SEEU's ability to offer instruction in Albanian and English in addition to Macedonian, while also increasing ethnic minorities' access to tertiary-level education, has been an important conflict-mitigating factor. Current enrollment is 2,400 students of which 36% are female. Students are mostly ethnic Albanians although there is a significant increase in the enrollment of ethnic Macedonians (7% of the student body) or other non-Albanian minorities, confirming the acceptance of the University as a high-quality, multi-cultural education institution. One of USAID's successful workforce programs was the Partnership for Economic Development in Macedonia (PRiSMa), which provided technical assistance and seed funds for innovative responses to unemployment and labor market rigidity, through training in efficient, demand-driven methods for job creation, transition, and retention/re-qualification. As of September 2002, PRiSMa helped employers and workers to create 2,431 new jobs and retain 1,552 at-risk jobs, which saved the Macedonian government more than \$5 million in unemployment benefits. Another success was the introduction of Macedonian hand-made products to U.S. and European buyers at trade shows in New York, San Francisco, and Frankfurt, resulting in significant importer interest. In its first year of implementation this program developed 15 new product lines and mentored six local designers. A solid foundation was built for employment generation and increased sales volume.

US Financing in Thousands of Dollars

Macedonia

165-0340 Social Transition	AEEB
Through September 30, 2001	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2002	
Obligations	5,359
Expenditures	310
Through September 30, 2002	
Obligations	5,359
Expenditures	310
Unliquidated	5,049
Prior Year Unobligated Funds	
Obligations	614
Planned Fiscal Year 2003 NOA	
Obligations	6,730
Total Planned Fiscal Year 2003	
Obligations	7,344
Proposed Fiscal Year 2004 NOA	
Obligations	8,028
Future Obligations	0
Est. Total Cost	20,731

Data Sheet

USAID Mission:	Macedonia
Program Title:	Special Initiatives
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	165-0410
Status:	Continuing
Proposed FY 2003 Obligation:	\$4,560,000 AEEB
Prior Year Unobligated:	\$120,000 AEEB
Proposed FY 2004 Obligation:	\$100,000 AEEB
Year of Initial Obligation:	FY 1993
Estimated Completion Date:	FY 2004

Summary: USAID Special Initiatives meet criteria outlined in Agency guidance for special objectives. That is, they are of limited scope and/or duration and/or respond to particular windows of opportunity.

Inputs, Outputs, Activities:

FY 2003 Program:

HIV/AIDS social marketing program (\$60,000 AEEB). While the cases of HIV/AIDS in the Balkans are relatively low compared to other regions of the world where USAID operates, many dangerous practices exist that can fuel an exponential increase in the rate of infection. Deterioration of the economic situation in Macedonia has led to weakened health systems, including low or non-existent funding in the areas of prevention, diagnosis, and treatment of sexually transmitted infections (STI), including HIV/AIDS. USAID will contribute to the regional South Eastern Europe HIV/AIDS Initiative. The program's two key components are aimed at increasing the use of condoms among youth and augmenting the capacity of non-governmental organizations (NGOs) to design and implement HIV/STI prevention. Local NGOs will be selected to join a regional network wherein they can participate in workshops, access grants to implement HIV/AIDS prevention activities, and share lessons learned across borders. The implementer is Population Services International (prime).

Budget Support (\$4,500,000 AEEB). In FY 2003, the U.S. Government will provide the final tranche of balance of payment support to the Government of Macedonia pledged at the Brussels Donors' Conference in March 2002. Twelve million dollars was provided for this purpose in FY 2001 and FY 2002 AEEB funds. The contribution will service Macedonia's debt to the U.S. Government and/or international financial institutions. The disbursement of funds is conditional upon the completion of a Stand-By Agreement between the Government of Macedonia and the International Monetary Fund.

FY 2004 Program:

HIV/AIDS Social Marketing Program (\$100,000). These funds would continue the same program as in FY 2003. The Implementer is TBD.

Performance and Results: USAID, on behalf of the U.S. Government, and the Government of Macedonia negotiated and signed a grant agreement that outlined the disbursement terms of the balance of payment support. USAID, through the United States Census Bureau (BUCEN), provided technical assistance and training to the Macedonian State Statistical Office so that it could conduct a census in November 2002 that accurately reflects the status of different ethnic communities in Macedonia. The assistance provided included procurement of 40 computers to tabulate results, the training of the trainers of census enumerators, and the training of journalists in the conduct of the census and how to use and understand statistical data. This activity was a huge success and went off without a hitch. Though extremely ethnically sensitive, to date, enumerators and processing has proceeded on schedule.

Immediately after the last year's crisis USAID, in cooperation with United Nations Development Program (UNDP), started a one year special initiative to address the underlying severe socio-economic pressures,

such as unemployment and poverty, which could potentially trigger further social unrest in the country. The Youth Employment Support Program provided productive alternatives to hostility and conflict for youth--all over the country--through short term employment opportunities. Simultaneously, it strengthened the capacity of local governments and empowered them to undertake development programs in their municipality. As a result of this initiative, a total of 2,033 workers were engaged for 8,061 working months in all 123 municipalities in Macedonia. Half of them received training in marketable skills that will increase their chances of finding a job.

US Financing in Thousands of Dollars

Macedonia

	AEEB	ESF
165-0410 Special Initiatives		
Through September 30, 2001		
Obligations	34,713	11,000
Expenditures	23,940	11,000
Unliquidated	10,773	0
Fiscal Year 2002		
Obligations	12,500	0
Expenditures	4,964	0
Through September 30, 2002		
Obligations	47,213	11,000
Expenditures	28,904	11,000
Unliquidated	18,309	0
Prior Year Unobligated Funds		
Obligations	120	0
Planned Fiscal Year 2003 NOA		
Obligations	4,560	0
Total Planned Fiscal Year 2003		
Obligations	4,680	0
Proposed Fiscal Year 2004 NOA		
Obligations	100	0
Future Obligations	0	0
Est. Total Cost	51,993	11,000

Data Sheet

USAID Mission:	Macedonia
Program Title:	Cross-Cutting Programs
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	165-0420
Status:	Continuing
Proposed FY 2003 Obligation:	\$4,410,000 AEEB
Prior Year Unobligated:	\$1,269,000 AEEB
Proposed FY 2004 Obligation:	\$3,200,000 AEEB
Year of Initial Obligation:	FY 1993
Estimated Completion Date:	FY 2005

Summary: This program supports goals and strategies defined under all other strategic objectives by promoting human capacity development in all strategic sectors, enhancing synergies across objectives, and integrating other cross-cutting themes to enhance the assistance provided through other mechanisms.

Inputs, Outputs, Activities:

FY 2003 Program:

Participant training program (\$2,380,000 AEEB). The Participant Training Program is a support mechanism for all USAID strategic objectives in achieving their planned results by providing training to Macedonian professionals who are involved in democratic processes, economic activities, and educational reforms in the country. Afterwards, participants are able to apply for small grants that allow them to use knowledge gained through the training program. The project plans to increase the percentage of women participants to 50%, and increase participation of ethnic minorities. The implementer is World Learning (prime).

Small project assistance (\$50,000 AEEB). Peace Corps Small Project Assistance provides small grants for proposals submitted by Peace Corps volunteers. The projects address community development, student needs, particularly for English language study, and other areas. The implementer is the U.S. Peace Corps (prime).

Program development and support (\$1,980,000 AEEB). The Program development and support (PD&S) mechanism provides USAID with resources that are critical for achieving strategic objectives. These resources are needed for assessments of possible new programs, evaluations, audits, surveys, strategy development studies, performance monitoring, and support for program implementation.

FY 2004 Program:

Participant training (\$1,700,000 AEEB). Macedonian professionals will continue to improve their skills through the Participant Training Program in FY 2004. An emphasis will be placed on education and workforce development. Program goals include a 50% women participation rate and greater inclusion of ethnic minorities. The implementer is World Learning (prime).

Peace Corps small project assistance (\$50,000 AEEB). Small project assistance grants will be continued.

Program development and support (\$1,450,000 AEEB). The support as described in FY 2003 will continue at the same level in FY 2004.

Performance and Results: As a cross-cutting activity, the Participant Training Program has been a crucial mechanism for supporting all other activities in each of the Strategic Objectives of USAID during FY 2002. This strategic objective's results are tracked and measured through the indicators for the other strategic objectives that it supports. The project conducted 12 U.S.-based, seven third-country, and four

in-country training programs with over 200 participants in FY 2002; 41% were women. In democracy-building, training focused on municipal association strengthening, fundraising for NGOs, improving journalism reporting on issues important to labor unions, and increased women's participation in politics. Training support for economic activities concentrated on marketing and promotion, meat and dairy technology, information technology training, combating corruption and promoting corporate governance.

US Financing in Thousands of Dollars

Macedonia

	AEEB	ESF
165-0420 Cross-Cutting Programs		
Through September 30, 2001		
Obligations	15,062	22,000
Expenditures	10,062	22,000
Unliquidated	5,000	0
Fiscal Year 2002		
Obligations	4,278	0
Expenditures	6,087	0
Through September 30, 2002		
Obligations	19,340	22,000
Expenditures	16,149	22,000
Unliquidated	3,191	0
Prior Year Unobligated Funds		
Obligations	1,269	0
Planned Fiscal Year 2003 NOA		
Obligations	4,410	0
Total Planned Fiscal Year 2003		
Obligations	5,679	0
Proposed Fiscal Year 2004 NOA		
Obligations	3,200	0
Future Obligations	0	0
Est. Total Cost	28,219	22,000