

WORK ON THE BUSINESS ENVIRONMENT

INTRODUCTION

USAID Macedonia's leader, Dick Goldman, is a quiet and hardworking man. The head of the United States Agency for International Development (USAID), a part of the US Mission in Macedonia, has been here three years. Goldman disagrees with the idea that there hasn't been enough progress in Macedonia's transition; he says that any economy needs two to five years to show progress, but unfortunately Macedonia has had to cope with many barriers in the way of the progress. In an interview for Aktuel, Dick Goldman advises our businessmen to invest in the quality of their management, be more transparent, and improve the business environment through fair and open competition, because these are the main things he hears from businessmen.

USAID

(Referring to USAID's Community Self Help Initiative) Over the last five years alone, USAID has supported 829 (community-based) projects in Macedonia, investing more than 25 million U.S. dollars. For example, with funds provided by the American people, 150 schools were renovated, more than 100 sport facilities and public facilities for young people built, 77 water supply systems were improved, and a great number of projects treating waste water and protecting the environment were implemented. In the past five years USAID implemented these projects in municipalities across Macedonia, through government, non-government organizations and other civic society entities. The purpose of all of these projects is to support the transition of Macedonia to a country with a market-based economy and a multiethnic society through economic growth, the development of democratic institutions and education. Recently USAID promoted a book documenting USAID's community development projects. USAID provides economic and humanitarian assistance for more than hundred countries around the world.

COMMENTS FROM COUNTERPARTS:

He's likable because of his simplicity

Stevco Jakimovski, Minister of Labor and Social Policy:

"I've known Dick Goldman for almost three years. It's great to work with him because he's not aggressive and he strives for simplicity. Goldman is a man who always has enough patience to hear you out, to help and to be supportive when needed. Personally I believe that he is too modest, he's an intelligent, very capable and good man—and a good friend."

He has vision and he's persistent

Venko Gligorov, General Manager of Login Systems and President of the Macedonian Association of Chambers of Commerce

"Dick Goldman is very successfully leading one of the most important international organizations in Macedonia. His agency has done a lot for the development of informatics (IT) and education, democracy and local self governance, financial reforms and legislative. From the very beginning of his time in Macedonia he supported President Trajkovski's "e-Macedonia for all". (Goldman) believed that all primary schools (and high schools) could have computer labs and be connected to the internet, although almost everybody doubted that this was possible. Thanks to his persistence, his vision has been successfully implemented, and Macedonia is one of the rare countries in the world with wireless internet in every school."

CV

Born: December 1, 1946, he spent his youth in Boston, Massachusetts

Education: Graduated with a degree in Business Administration from Northwestern University, did an internship for the Ford Motor Company. He also volunteered for the Peace Corp in Lesotho and Liberia; in 1975 he gained a Master's in Agricultural Economics.

Career: Dick Goldman has worked for 28 years for USAID, and is now a Counselor Minister; his career with USAID brought him to eight countries on four continents; he worked as an Agricultural Officer in Liberia, Cameroon and Mauritania, in Pakistan he started the Private Sector Office as well as working in the agricultural sector. He has served in Peru and India, where he managed environment, energy and enterprise projects.

Family: His wife Heather is also with USAID; they have two children – his daughter studies at Harvard, and his son at Stanford University.

Hobby: The Goldman family is devoted to nature and a healthy life style – Dick enjoys walking and hiking and plays tennis; he especially likes art and is a regular visitor to the opera and symphony in Skopje.

INTERVIEW

Are you satisfied with the level of projects implemented in Macedonia so far?

The American people care about the future of Macedonia. The American people, through USAID, have invested more than \$400 million in Macedonia since 1993. More than 30 projects worth more than \$35 million a year are currently being implemented. If you add total the "life of project" value of these projects it comes to \$150 million.

And USAID is not the only U.S. government entity providing assistance to Macedonia.

The U.S. Mission in Macedonia includes professionals from several important U.S. Government Departments and agencies, in addition to the Department of State and USAID. For example, the U.S. Department of Treasury works with the Government of Macedonia on taxation and budget issues. The U.S. Department of Justice supports programs to develop law enforcement agencies, courts, prosecutors and programs to counter trafficking in persons. The U.S. Department of Homeland Security cooperates with Macedonian authorities on border safety and customs, and the U.S. Department of Defense supports programs to modernize Macedonia's defense capabilities and enhance their ability to operate with the armed forces of other countries. Finally, U.S. citizens volunteer their services through the U.S. Peace Corps and are serving across Macedonia.

What does USAID support in Macedonia now and what will the mission support in the future?

USAID will continue to support Macedonia's Euro-Atlantic aspirations. Our projects are designed to support Macedonia's transition to a free market-based, multi-ethnic democracy. They include initiatives to accelerate economic growth, develop democratic institutions, and educate citizens for a modern economy.

You have been in Macedonia for some time. How do you assess the economic situation in the country?

There are some bright spots on the macroeconomic front. For example, there are low deficit and inflation rates and the rates at which companies have been operating at a loss have slowed, most likely due to reconstruction or closures. However, there are key challenges facing the Government of Macedonia in the near to medium-term concerning the need to promote economic growth and job creation based on robust private sector activity and enhanced investment. In this

regard, an improved business environment is essential to stimulate sustained private sector growth and to reduce the size of the informal economy.

What is your comment on the opinion that the transition in Macedonia lasts for too long and it is a transition with no development? Why is that so?

First of all, I would not agree that there is no development. It may not be at the level we all desire, but during these 15 years of independence, Macedonia has managed to re-establish many production systems. Any economy needs two to five years to show progress, but unfortunately, Macedonia has had to deal with barriers to progress over the past years: UN sanctions against Yugoslavia, the Kosovo crisis, the Macedonia crisis. The country needs a reasonable period without such distractions. Hopefully, we are now in such a situation, with decentralization beginning to work and GDP rising slowly after the crisis of 2001.

What is it like when a person from a country with strong and powerful economy comes into a country with poverty problems to help the country solving those problems? You have an interesting resume, do people here think of you that way?

USAID's funding comes from the American people. I think this is an indication that as Americans we feel we have an obligation to work with the people of other countries, especially those not as well off as America, to help them achieve their goals. It is always a partnership. USAID always responds to the needs expressed by the people living in the countries we work in.

What are the weaknesses of Macedonia in overcoming the unfavorable economic trends?

Various studies and assessments have identified significant regulatory and institutional weaknesses in the business environment that adversely affect the private sectors ability to perform efficiently and grow and that impedes investor confidence. The business environment currently offers few incentives and opportunities for enterprises to improve their performance and enhance their competitiveness in the domestic and foreign markets. If you just look at the World Bank's "Doing Business 2006", it takes over 48 days on average to start a company in Macedonia versus 36 days in the region and only 19 days in OECD countries. This is compounded by the requirement for new business registrants to deposit upwards of 145% of GNI per capita into a bank in order to obtain a business registration number when on a regional basis, the average deposit requirement is only 49%.

Why can't Macedonia attract foreign investors?

Investors are generally risk averse and prone to invest their money where there is transparency, protection for investors (rule of law), low corruption, accountability, access to a skilled labor force, and ease of moving goods across borders. Macedonia has a mixed scorecard against this criteria. It's critical to create the proper political and economic conditions necessary to make it attractive for investors to invest their money and resources here.

There is work being done across the board to make Macedonia more competitive and more attractive to investors. Two week's ago I attended an Economist Roundtable on Investment in Macedonia which USAID helped to set up. The Prime Minister, Minister of Finance and Minister of Economy all attended and we had a good turnout from potential investors, I would say investors are poised to enter Macedonia if they can see progress on the issues mentioned above.

What is your comment when you look at the corruption rates on the country?

The Macedonian government, with donor assistance, is addressing some of the challenges in fighting corruption. The Customs Authority, for example, has become more transparent and accountable. There are hopeful signs that the tax authorities are beginning to getting to grips with tax evasion and tax fraud. However, this is not a simple issue and much effort over time will be required. Serious efforts are still required to complete the started reforms and make them sustainable in the long term.

USAID is supporting a new e-Tax system. Work has begun on an electronic tax filing system which is expected to be operational by January of next year. The system will be developed for the Public Revenue Office (PRO) and will initially be used by Macedonia's 100 largest companies. This application will reduce the administrative burden for both taxpayers and the PRO. The system will be able to process an enormous amount of data quickly and securely. Very sensitive information will be handled over the system and will be adequately protected by security measures.

I know that Public Revenue Office officials are as excited about this as we are.

The software development is a result of USAID's e-Government Project aims to help the Macedonia increase the efficiency and transparency of public sector management and open new channels for doing business in an open and secure manner, making Macedonia more attractive to the investment community. Transparency within a secure ICT environment is expected to improve communication within the Government and between the Government and Macedonian businesses and citizens.

You often contact the Macedonian businessmen. What is their most common complaint?

A few immediate issues come to mind: a desire for government to operate in a more open and transparent manner, fair and open competition and improved rule of law and access to capital and credit. They also mention high health insurance and pension costs which make it more attractive for many firms to operate in the grey economy.

What is your advice to the businessmen?

It's critical for today's business person to understand what it means to operate in a global economy and to be able to produce a product or service that responds to the market's demands. The backbone and success of most corporations today comes from the quality of the people working in those organizations. As a result, it's important for businesses to invest in their people with the proper management, skills training and education in order to be able to compete. Speaking of which Macedonia would benefit from devoting increased resources to education.

How have you seen Macedonia so far, and how do you see it in the future?

I have been living and working here for three years. I have had the pleasure of working with Macedonians from all ethnic backgrounds, parties, both in government, the private sector and from civil society. Although there are certainly differences, I'm in the enviable position of being able to see that everyone has a shared vision: to see Macedonia prosper and move forward.

My work here has been made easier by the fact that both the Prime Minister and President have an open door policy. I'm able to meet with them and discuss issues and ideas when and if the need arises.

One of the first people I met in Macedonia was the late President Boris Trajkovski. We hit it off immediately and USAID was soon working with him on HIV/AIDS issues and computers and the internet for schools. I was always amazed at the President's "down-home" approach to issues

and the fact that he would champion causes that produced little personal political capital. If he were here today, he would be happy to see an active HIV/AIDS program, with \$4 plus million from the Global Fund and broadband internet and computer labs in every school. When a young Macedonian becomes the next Bill Gates, she or he can thank the legacy of Boris Trajkovski.

Macedonia is a beautiful country. It has great food, traditions and cultures and many warm and welcoming people. My wife Heather and I feel blessed to live here with you. After three years which flew by, we look forward to many more.