

## 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 2005 Obligation:</b>	\$12,050,000 AEEB
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$13,248,000 AEEB
<b>Year of Initial Obligation:</b>	1994
<b>Estimated Year of Final Obligation:</b>	2006

**Summary:** Needed reforms in the financial sector, enterprise competitiveness, and the enabling environment for investment are fostered through an integrated program of expert advice, training, and other technical assistance. In addition, financing for small and medium enterprises (SME) is made available through local lenders.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Strengthen Financial Sector's Contribution to Economic Growth (\$333,000 AEEB). USAID is engaged in a multifaceted effort to improve the efficiency and legal/regulatory framework of the financial/capital markets. This will help mobilize domestic savings, promote foreign investment, and better allocate investment funds. The Macedonian Securities and Exchange Commission (MSEC), the Central Bank (NBM), and non-bank financial institutions will continue to benefit from training, expert real-time advice, and help with legislative drafting and implementation. USAID will help with legislation to strengthen the MSEC's enforcement powers and the rules governing the handling of investor funds. Self-regulatory organizations will be strengthened through advice on regulatory and legal operational guidelines, internal management, and monitoring and enforcement techniques. Assistance will be provided to the NBM to create a custodial capacity and to further develop the credit information registry. Banking supervision will be strengthened with enhanced internal audit, Information Technology (IT) security, and anti-money laundering regulation. USAID will work to develop non-bank financial institutions that will stimulate competition in markets for mortgages, treasury securities, and corporate bonds. Development Credit Authority guarantees may be developed. Macedonia will be assisted in establishing privately managed pension funds and a Pension Supervision Agency. Lastly, systemic accounting reform will be pursued with courses, certification programs, and development of professional associations. Prime implementers: Emerging Markets Group, Financial Services Volunteer Corps.

Increase Private Sector Growth (\$8,636,000 AEEB). The Macedonian Competitiveness Activity promotes competitiveness through greater public-private sector dialogue, IT solutions for business, and expansion of quality standards. A fifth and final cluster, apparel, was added joining lamb and sheep, cheese, wine, tourism, and IT. Four new E-Biz Centers will be established, offering on-line management courses and otherwise working to increase the competitiveness of the shoe, apparel, and fashion sectors. Ongoing technical assistance to agricultural sub-sectors will continue -- introducing new products, technologies, and investments to meat, dairy, fruit and vegetable producers, processors and retailers. The Broiler Industry Development Project will expand to other farmers. Development assistance for small craft-based enterprises and artisan products will continue. SME lending activities will introduce new loan products such as student, consumer, and small farm loans, and loans to disadvantaged minorities, while continuing to focus on sustainability of the lending organizations. The USAID SME Fund will continue to help enterprises expand production and trade. Prime implementers: Booz-Allen Hamilton, Crimson Capital, Land of Lakes.

Improve Economic Policy and Governance (\$3,081,000 AEEB). USAID assistance will

strengthen corporate governance, trade policy, fiscal management, and e-government. World Trade Organization compliance requirements will remain a program concern and assistance will be provided in developing public-private partnerships in formulating trade policy. The advisors will help draft new laws on Bankruptcy and Electronic Communications and assist in implementation. Support will be expanded for implementing information technology solutions for trade facilitation. USAID will continue to help the Government of Macedonia (GOM) improve fiscal management and will maintain a strong overall advisory presence with relevant GOM entities. Especially important is the development of the e-government strategy and applications related to expenditure management, procurement, tax administration, and corruption abatement. IT oriented procedures will also be critical to successful decentralization. To develop a more competitive market for electronic communication in Macedonia, USAID will help the GOM to build an appropriate legal and regulatory environment. USAID will continue to support the restructuring and privatization of the energy system in Macedonia through completion of energy rules and legislation, development of the market model and strengthening of the energy regulator's capacity. Prime implementers: Booz-Allen Hamilton, Emerging Markets, and Internews Network.

**FY 2006 Program:** Strengthen Financial Sector's Contribution to Economic Growth (\$2,167,000 AEEB). USAID will focus on efficient implementation of the pension system, development of a credit registry, and developing non-bank financial providers with new products, such as mortgages, leasing, insurance, and other business support services for underserved SMEs. Work will continue on improvements in accountancy, business analysis, and other needed financial sector professional skills; on IT security; and on EU harmonization. Prime Implementers: Booz-Allen Hamilton, Land of Lakes, Academy for Educational Development.

A new activity will be designed in FY 2005 and begin in FY 2006 to ensure follow through and technical support for consolidating gains under ending activities. The new activity will continue the integration of Macedonia into the world economy, build regulatory capacity, lower legal and administrative barriers to investment, prepare selected companies for Foreign Direct Investment (FDI), build professional and business associations, respond to other economic priorities identified by the GOM, and develop regional linkages. Contractor to be determined.

Increase Private Sector Growth (\$7,675,000 AEEB). Activities developing greater private sector competitiveness will continue along established lines with greater attention to sustainability issues. A new activity will be designed in FY2006, building on the foundation of USAID's economic development efforts. Program components will include strengthening the competitiveness of selected clusters, SME management training and education, and promotion of the use of IT solutions for business through the creation of IT business centers, applications, and services. Contractor to be determined.

Improve Economic Policy and Governance (\$3,406,000 AEEB). Assistance directed at improving the enabling environment for investment will continue with greater attention to sustainability issues. Technical advice will also be provided to help implement an e-government strategy and further improve fiscal management in the central government and municipalities. Prime implementers: Internews Network and contractor to be determined.

**Performance and Results:** Private sector employment grew by 6.4% and the growth of private sector employment as a percentage of total employment grew by 4%. Positive trends were also seen in the financial sector with banks lending relative to banks capacity to lend increased by 3.3%. With USAID assistance, the Government of Macedonia issued the first treasury securities. The competitiveness of the Macedonian economy improved as demonstrated by exports growth of 20% and foreign direct investment by 270%, from a very low base. USAID institutions increased lending by 116% to micro and small enterprises.

## US Financing in Thousands of Dollars

Macedonia

165-0130 Economic Growth	AEEB	ESF
<b>Through September 30, 2003</b>		
Obligations	97,457	140
Expenditures	81,960	140
Unliquidated	15,497	0
<b>Fiscal Year 2004</b>		
Obligations	10,829	0
Expenditures	14,660	0
<b>Through September 30, 2004</b>		
Obligations	108,286	140
Expenditures	96,620	140
Unliquidated	11,666	0
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	12,050	0
<b>Total Planned Fiscal Year 2005</b>		
Obligations	12,050	0
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	13,248	0
Future Obligations	0	0
Est. Total Cost	133,584	140