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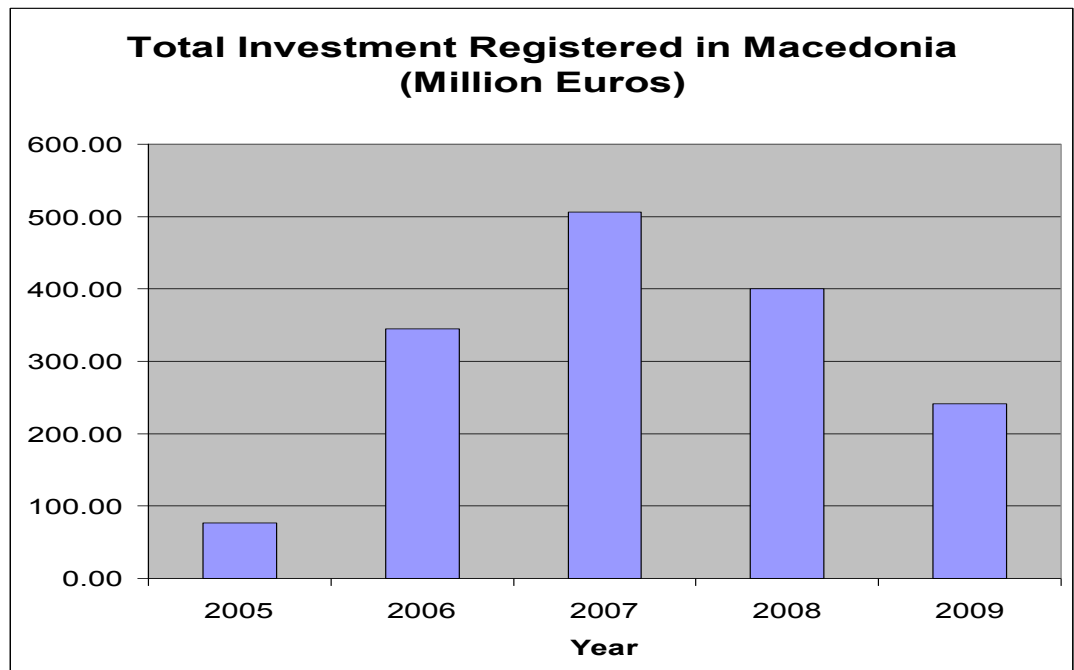
# **USAID Economic Growth Program**

## **An Overview**

*Skopje, Macedonia*  
*March 2011*

# Challenges to economic growth

- Corruption, lack of proper regulations, non enforcement of laws
- Lack of independence of the judiciary
- Inadequate workforce: lack of requisite knowledge/skills
- Unemployment rate >30%; for youth, >60%
- Lowest FDI in region, \$90 to \$150M per/a
- Large trade deficit
- No clear/efficient process to assist investors
- Pervasive grey economy
- Small market, only two million people



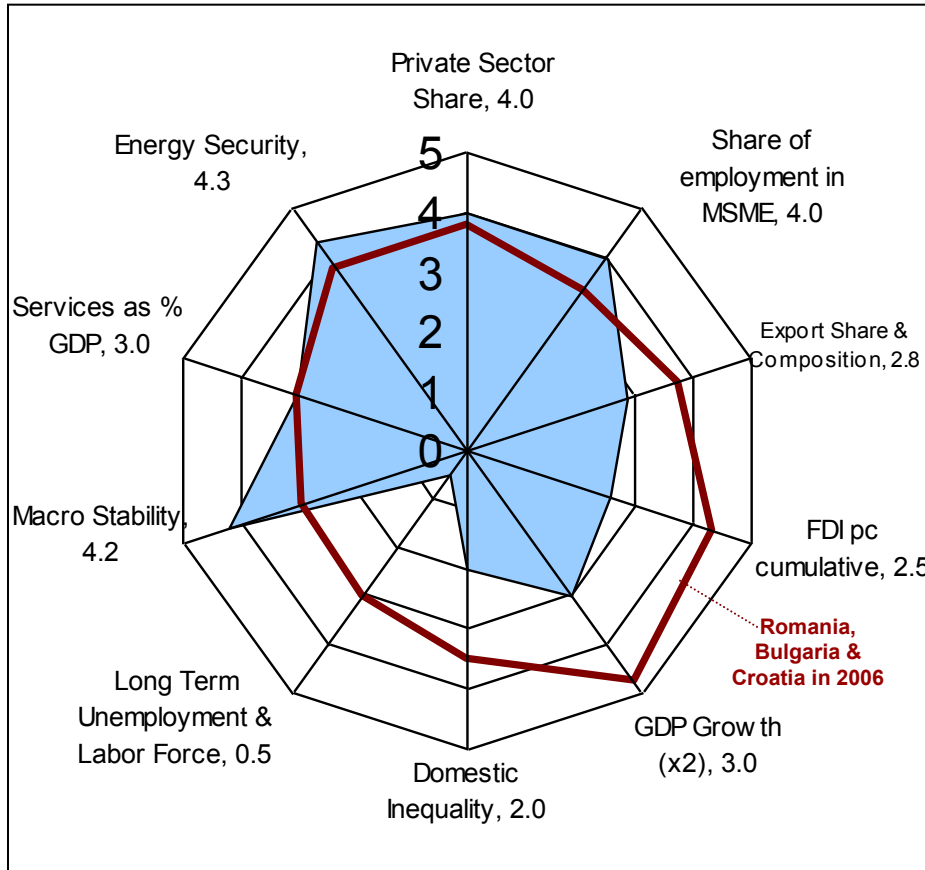
## Remaining Challenges: Business Environment

- Lack of investment and export promotion coordination
- Difficulty to obtain land and construction permits deters investment
- Lack of meaningful public-private sector dialogue
- Unsustainable electricity generation system and underutilized renewable energy sources.
- Conservative and risk-averse financial sector, with limited offering of financial products

## Remaining Challenges: Enterprises and Workforce

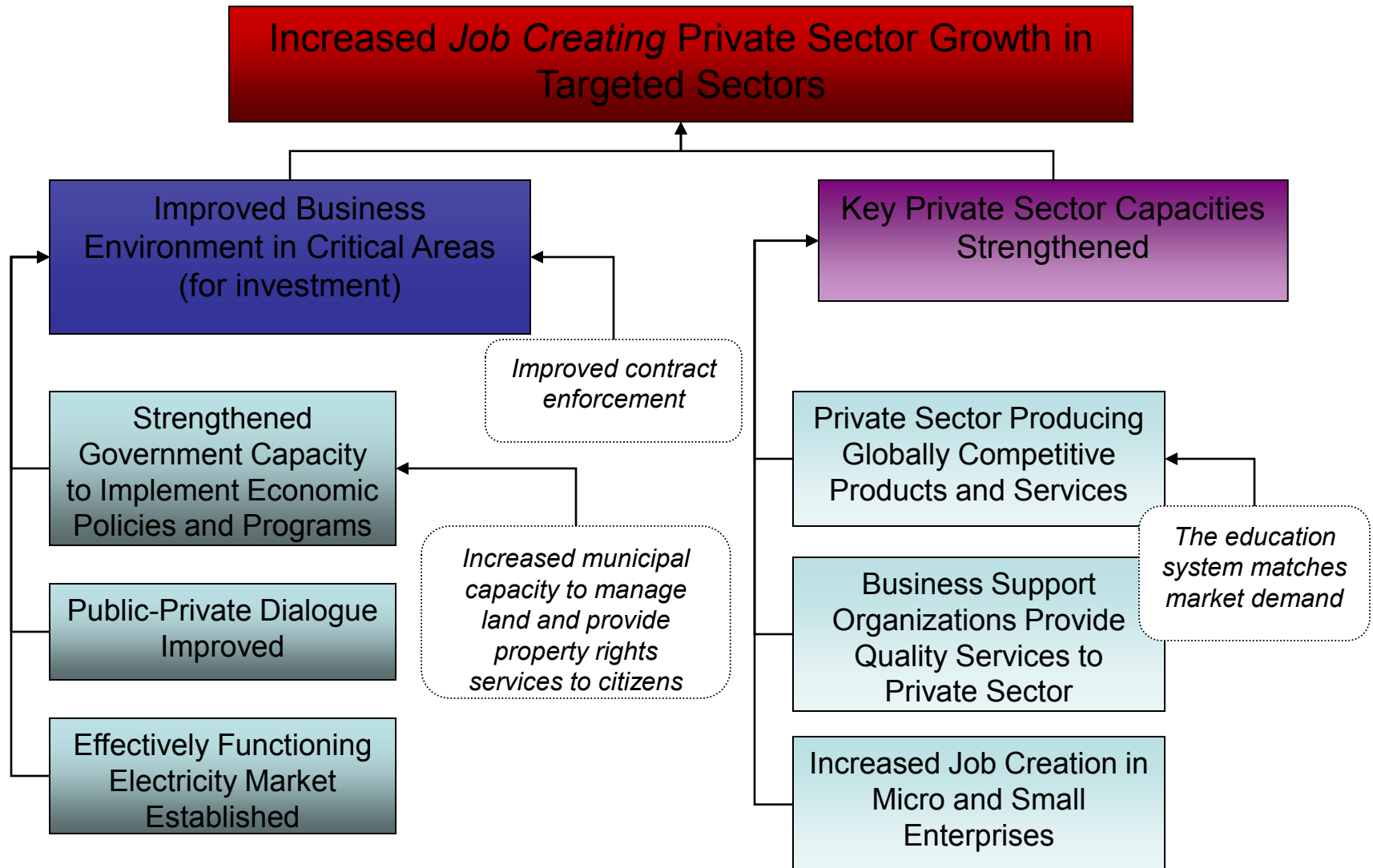
- Lack of International Competitiveness
  - Low level of investment in R&D, new technology, and innovation.
  - Limited range of product and service offerings.
  - Small number of companies with applied international standards and certifications.
- Lack of organized government support and incentives for SMEs, exporters, etc.
- Undeveloped professional middle management
- High unemployment rate with dominant long-term unemployment of people with low level of education and skills
- Significant education supply and demand gap – skills mismatch.
- Lack of entrepreneurial, business/management and strategic planning skills.

# Economic Growth Challenges and Goals



1. Improve the overall business environment and investment policy
2. Assist individual firms and agribusinesses in increasing their competitiveness, productivity and export and reducing cost through energy management;
3. Encourage foreign and domestic investment in Macedonia
4. Create new private sector jobs
5. EU Integration and compliance

# Economic Growth Results Framework



# Economic Growth Partners and Projects

## *Business Environment*

### Partners:

- DPM for Economic Issues
- Ministries of Economy, Agriculture, Transport, Finance
- Bureaus and Agencies (PPB, CA, ESA, PRO, Energy Regulatory Agency, Investment Agency)
- Associations and Business Support Organizations

### Flagship Projects:

- IDEAS – Investment Development and Export Advancement support - \$4.8 mil 2010-2014
- e-Gov Project - \$5.6 mil – 2004-2011
- Energy Market Development and energy efficiency

## *Private Sector Support*

### Partners:

- Companies in textile, light manufacturing, ICT and digital media, furniture, automotive and recycling industries
- Producers and processors of fruits, vegetables and wine
- Associations and Business Support Organizations
- Financial institutions

### Flagship Projects:

- Competitiveness Project – \$9.9 mil 2007-2012
- AgBiz - \$5.8 mil 2007-2011
- Microenterprise support (DGPs, DCAs, Plastic Recycling)

# The Way Forward: Business Environment

- Away from legal reform to implementation of policies and streamlined provision of services (FDI and export)
- Close coordination with GoM and donors on implementation of the National Industrial Policy Strategy
- Capacity Building of selected government institutions: PPB, Investment Agency, Ministry of Economy
- Public Private Dialogue
- Energy: Implementation of new legislation, strategies and action plans

# The Way Forward: improving economic performance

- **Job creation:** Support to micro and small enterprises
- Increase **competitiveness** of the high value-added industries and agribusiness
- **Export enhancement and diversification**
- **Improved human capital:** Build managerial, soft and technical skills
- **Work through local partners**



# Areas requiring special attention

- Inadequate funding for the Agency for Investment and Export Promotion (InvestMacedonia)
- Financial support for the Industrial Policy
- Commitment to streamlining investment facilitation and aftercare and improved coordination among government officials
- Revival of National Entrepreneurship and Competitiveness Council
- Continued focus on investment promotion (FDI) in coordination with the Embassy
- Create synergies among partners addressing workforce supply and demand

## Upcoming Projects and New Procurements:

- **Regional Small Business Development Project** (\$4.96 million / 4-year LOP) - Preparation of RFP, to be competitively bid
- **Microenterprise Funding and Learning for Growth Project by CEED**(\$1.979 Million / 5-year LOP) - Final cooperative agreement is being negotiated by RCO.
- **Agbiz extension** (\$2 million / 2-year LOP)
- **Energy Efficiency for Low-Income Housing** (\$1,5 mil./3year LOP) – with Habitat for Humanity Macedonia, to be signed within a week.
- **Competitiveness through Clean Energy Investment (CoTCEI) Project** – (\$4 million / 4-year LOP) - In design
- **Innovation Fund** (\$300,000 /3-years) Unsolicited proposal from Crimson Capital received and in negotiation.

*Significant **budget cuts** eliminated the continuation of the Competitiveness Project and Business Leadership component*