



# ECONOMIC GROWTH



2017



USAID helps private enterprises gain the know-how and financing to expand their businesses.

## SELECTED RESULTS IN THE PAST 5 YEARS

- **ASSISTED** 5344 farmers, microenterprises and SMEs improve their performance, and created 3536 new jobs.
- **INCREASED** exports of value added products including bottled wine, and fresh and processed fruits
- **PROMOTED** Macedonia as an attractive adventure travel destination. and vegetables.
- **CREATED** three lending institutions (FULM, Moznosti, and the Crimson Capital SME Fund) and two equity funds.
- **STRENGTHENED** the capacity of 360 micro and small enterprises with fit for purpose trainings, networking opportunities, and technical assistance through the Center for Entrepreneurship and Executive Development (CEED).
- **GENERATED** 4% energy savings and 17% reduced Green House Gases emissions from energy efficiency upgrade projects and Energy Management Systems at 17 companies.
- **STREAMLINED** the Renewable Energy investment processes and shortened the time by 12 months.
- **HELPED** 700 microenterprises access public procurement system and win tenders worth over \$6 million

## THE CHALLENGE

Over the past several years Macedonia has introduced a number of economic reforms that have improved the country's standing in global economic rankings. However, these reforms have not improved key economic indicators such as growth, jobs, and income, due to the frequency of the changes and the lack of consultative processes. Prior to the Eurozone financial crisis, GDP growth in Macedonia was half of its Balkan neighbors. In 2016, weak economic policy and a political crisis contributed to a GDP growth rate of 2.4 percent, while domestic consumption remained weak and incomes continued to stagnate. While the unemployment rate fell to 23.1 percent, most new jobs are created with government subsidies. Entrepreneurship and workforce skills are not keeping pace with the evolving market which further inhibits growth. Although Macedonia is attracting foreign investments to its Technological and Industrial Development Zones, the overall investment level outside these zones remains low and private sector lending is not meeting demand.

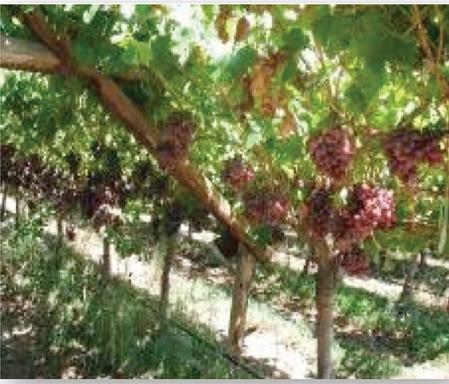
## PROJECT AREAS

### Micro-enterprise and Private Sector

In Macedonia, USAID focuses on improving the competitiveness of micro, small, and medium-sized enterprises that have the potential for growth and job creation.

Activities in this area include:

- Providing tailored solutions (business training, technical assistance and networking opportunities) to up to 360 small enterprises that best address specific needs and enhance their probability for success.
- Supporting creation of new start-ups through acceleration programs, provision of co-working space, and access to funding from business angels.
- Establishment of a Micro Investment Fund that provides mezzanine investments, a hybrid of debt and equity financing, for micro and small enterprises with growth potential.
- Supporting micro and small businesses throughout Macedonia to improve their compliance with legal requirements.
- Working with business organizations to engage in a constructive dialogue on streamlining regulation.



USAID helped the wine industry develop marketing and promotional activities to increase the visibility of their quality wines in foreign markets.



USAID helped 400 farmers double corn yields using drip irrigation.

## CONTACT INFORMATION

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## Development Credit and Access to Finance

Three Development Credit Authority (DCA) facilities provide access to working and investment capital to companies that want to expand their operations and/or market opportunities. These are loan portfolio guarantee programs through which USAID provides a 50 percent guarantee of the loan amount, thus sharing the risk with partner banks. One of these loan guarantee facilities supports microenterprises, another focuses on agriculture development, and the third supports the capitalization of SME investment funds that target high growth and the job creation sectors of local economies.

The Microfinance Inclusion and Innovation Project is increasing access to finance and is tailored to the needs of low income households, entrepreneurs, and micro and small enterprises. Providing easier access to finance to these groups will provide an opportunity for creation of new jobs, which will lead to economic growth and poverty reduction.

## Economic Policy

USAID also focuses on improving the business policy and investment climate by strengthening the capacity of key economic ministries and agencies within the Government of Macedonia (GOM) to develop and implement economic development policies and programs.

USAID is partnering with local civil society organizations to conduct a broad consultative process for revamping the Public Procurement Law. Specific recommendations are based on EU requirements, experiences from neighboring countries; and input from the contracting authorities, microenterprises, business chambers, and public procurement exports.

USAID is modernizing the Inspection Authorities to introduce a modern, business friendly, and predictable inspection system that will seek to enhance efficiency, and voluntary compliance by implementing best practices and principles into the inspection process.

## Energy Efficiency and Clean Technology

USAID supports the GOM's effort to increase investment in renewable sources and reduce Macedonia's overall energy consumption and greenhouse gas emissions.