

U.S. Embassy - Skopje
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EUROBOND TO BE USED FOR DEBT PAYMENT

Macedonia will annually save between 10-32 million euros by paying back the London Club debt with the money from the eurobond worth 150 million euros, which was sold to foreign investors on December 2, 2005. "We exchanged the variable interest rate with a fixed interest rate, and we are to exchange the debt from US dollars into euros at the beginning of 2006", Minister of Finance Popovski stated, rejecting the possibility to use the eurobond money for capital investments.

MACEDONIA, WORLD BANK SIGN AGREEMENT ON PDLP 1 ARRANGEMENT

On December 5, the Ministry of Finance and the World Bank have signed an agreement for the First Programmatic Development Policy Loan (PDPL 1), worth US\$ 30 million. The World Bank Board of Directors has approved the loan on October 27. The funds are intended to support the economic growth, create new jobs, improve investment climate, increase public administration capacity, and implement reforms in judiciary, labor market, and financial sector.

REAL GDP GROWTH RATE 4.1 PERCENT IN 2004

The State Statistical Office has announced that Gross Domestic Product (GDP) in Macedonia in 2004 had a nominal value of 265,257 million denars, thus nominally increasing by 5.5 percent from 2003. The real GDP grew by 4.1 percent. Manufacturing, trade and financial services were the three driving sectors of the growth. Consumption continued to grow and in relation to 2003 was up by 7.3 percent, with both households and government consumption rising.

DIRECTORATE FOR MONEY LAUNDERING PREVENTION, FINCEN SIGN MOU

The GOM and the USG will work on preventing money laundering through exchange of data and information. This cooperation was verified on December 9, with a Memorandum of Understanding between the Macedonian Directorate for Money Laundering Prevention (DMLP) and the US Financial Crimes Enforcement Network (FinCEN). US Ambassador to Macedonia, Gillian Milovanovic said it would enable the prosecution of individuals that launder money through the banking system, but also individuals that finance terrorist activities.

GOM ACCEPTED MACROECONOMIC POLICY FOR 2006

On December 19, the GOM accepted the Macroeconomic Policy of Macedonia for 2006, which serves as a short-term economic program outlining conditions, basic assignments and priorities in the economy. Its main priorities in 2006 are GDP growth of four percent, inflation rate up to 1.8 percent, export growth of 9.7 percent, stable domestic currency and low budget and current account deficits.

PARLIAMENT ADOPTED 2006 BUDGET

On December 27, the Macedonian Parliament adopted the 2006 Budget, defeating 51 of 56 proposed amendments. According to the Minister of Finance Nikola Popovski, the fiscal policy in 2006 will finance reforms, constitutional changes, the process of integration into NATO and EU, while regularly servicing public debts, financing development-oriented and infrastructure projects, encouraging entrepreneurship spirit and improving the business environment. However, it will be rather restrictive, with a projected consolidated budget deficit of 0.6 percent of GDP. The budget will support introduction of the second pension pillar, covering USD 16 million transitional costs. Also, it provides funds for continuation of decentralization process, as well as support to a number of structural reforms.

ONE-STOP SHOP STARTS IN 2006

The Central Registry will start implementing the one-stop shop registration system for businesses from January 1, 2006, taking over competencies from courts and State Statistical Office. It will have two-way communication with the Public Revenues Office and commercial banks. The long procedures, pointed out as an obstacle for foreign investments in the country, will be significantly shortened and less costly with the new system. Registration of a business will take only five days and will cost between 3,700 and 5,000 denars.

FOUR COMPANIES TO BID FOR ESM

Although seven companies submitted bids, only the German RWE, Austrian EVN AG, Italian ENEL and Czech CEZ have met all pre-qualification criteria to bid for privatizing the Electric Power Company ESM - Distribution, Minister of Economy Fatmir Besimi said on December 29. Future ESM - Distribution owner will have to invest 42 million euros in the first three years and respect the collective agreement, which means no dismissing of employees in 2006. From January 9 - February 6, bidders will do due diligence and submit their final bids by March 1, 2006.