

# Monthly MACEDONIAN BUSINESS

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## INVEST IN MACEDONIA – NEW BUSINESS HEAVEN IN EUROPE

### SUBSIDIES FOR CONVERTING OLD RURAL HOUSES INTO TOURIST FLATS

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The purpose of this measure is to improve the tourist offer and develop rural tourism, which according to authorities is especially interesting for foreign visitors.

Third year in a row, the country is also subsidizing the catering facilities that want to create a brand. For decorating purposes, 60 percent of the expenses are covered by the country to a maximum of 2000 euro for receiving the label “national pot”.

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## MACEDONIAN TRUCKS TO BE DRIVEN IN CAPITALS AROUND WORLD

Trucks manufactured by Macedonia's Brako will be exported to the USA, China, England, Germany, Belgium, Romania, Turkey and Denmark. Under the agreement that it signed with Green Machine, Brako needs to deliver 200 top-quality vehicles for cleaning of streets in capitals around the world.

“This agreement made it possible for us to expand our capacities for specialized production of this type of vehicles with full automation and production planning,” said Koco Angjusev, President of Brako's Board of Directors.

He also informed that the company's annual output will expand in the years ahead and that next month a fully computerized production hall, an investment worth 4.5 million euros, would be put into use.

“Next year, Brako will commence full production of trucks, from the creation of prototypes to the final production in cooperation with the Faculty of Mechanical Engineering in Skopje,” Angjusev said. The planned production for the first year is five vehicles a week, or 200 vehicles a year.

Brako will also expand its set of products with two smaller vehicles without a cabin. Most of these vehicles will be driven in cities across the USA, China, Great Britain, Germany, Benelux, Scandinavia, Romania, Turkey and many other countries around the world.



### 2017 Index of Economic Freedom

## MACEDONIA

OVERALL SCORE **70.7**

WORLD RANK **31**

#### RULE OF LAW

Property Rights 67.0

Government Integrity 52.0

Judicial Effectiveness 61.4

#### REGULATORY EFFICIENCY

Business Freedom 81.5

Labor Freedom 66.7

Monetary Freedom 80.8

#### GOVERNMENT SIZE

Government Spending 68.9

Tax Burden 91.9

Fiscal Health 72.6

#### OPEN MARKETS

Trade Freedom 86.1

Investment Freedom 60.0

Financial Freedom 60.0



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## **SUBSIDIES FOR CONVERTING OLD RURAL HOUSES INTO TOURIST FLATS**

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The purpose of this measure is to improve the tourist offer and develop rural tourism, which according to authorities is especially interesting for foreign visitors.

Third year in a row, the country is also subsidizing the catering facilities that want to create a brand. For decorating purposes, 60 percent of the expenses are covered by the country to a maximum of 2,000 euro for receiving the label "national pot".

The conditions for branding restaurants or inns i.e. for receiving funds from the country for that purpose, is to serve traditional dishes characteristic for that region, as well as to have the entire furniture in traditional style. The open call for this measure will be published in March.

# NEW BROWNFIELD INVESTMENT IN DEMIR HISAR

**I**talian company in the food industry will open production capacity in Demir Hisar, and there are ongoing work preparations for installing the equipment that was directly transported from Naples. The production capacity will be located in the ground-level of former department store facility which was rented by the investor for a longer period of time, inform from Demir Hisar Municipality.

-This investment will reach one million euro and will primarily employ 10 persons and reach 20 by the end of the year, but the signing of contracts with cooperators will boost the indirect use of this investment - stressed Mayor Ljupco Blazevski. This facility will purchase and produce semi-finished products for the use of the industry for soup manufacturing. They will purchase, manufacture and pack beans, lentil, chickpeas and other

plants, inform from the local self-government of Demir Hisar.

Following the Russian investment of "Grisko" in village Slepce which started operating in 2012, this is the second foreign investment in Demir Hisar Municipality.

## REASONS TO INVEST IN MACEDONIA

**NEW ENERGY EFFICIENCY SUBSIDIES** — This year, the Ministry of Economy introduced a new energy efficiency measure for households, i.e. subsidies for installing PVC or aluminium windows. The open call will be published by the end of this month and will last by the end of August.

**SUBSIDIES FOR BRANDING OF NATIONAL RESTAURANTS AND INNS** — With the subsidies in the catering industry, Macedonia started branding the national restaurants and inns. Namely, subsidies are granted for adaptation and redecoration, and 60% of the expenses, not higher than 120,000 denars, are covered by the Ministry of Economy.

**TAX EXEMPTION FOR INVESTING IN RURAL DEVELOPMENT ZONES** — The project on Rural Development Zones aims at reducing unemployment and reviving rural areas. According to the announcements, it is estimated all villages and cities with population of under 10,000 inhabitants to receive same or better business conditions from those applied in the free economic zones.

**NEW MEASURES FOR EMPLOYING PEOPLE YOUNGER THAN 29** — The self-employment loans total 7,000 euros and the loan for every other newly created job is 4,000 euros. Since loans of 4,000 euros can be approved for up to four newly created jobs, the whole borrowing may reach 23,000 euros. The grace period is 1.5 years, the repayment period is seven years and the interest rate is only one percent.

**LEAD GENERATION** — This is the process of developing buyers' interest in foreign markets for Macedonian products or services. Typically, leads are developed through research and contact with potential buyers. This function will be conducted through the network of Invest Macedonia's economic promoters.

**GOVERNMENT STAY COMMITTED TO LOW TAXES** — As a government we stay committed to the policy of law taxes and the policy by which the private sector will have most of the funds at its disposal. The main goal of the tax exemptions for reinvested profit is making sure most of the money invested in new technology returns again to the companies it came from, said Finance Minister Kiril Minoski.

**FREE HEALTH ZONES TO RECEIVE SAME TREATMENT AS ECONOMIC ONES** — The money from leasing or selling state-owned building land for construction of a free health zone will be distributed by the model that applies for the free economic zones. Of the money to be paid into a special treasury account, 20 percent will be for the state and 80 percent for the Directorate for Technological and Industrial Development Zones.

**FINANCIAL HELP FOR EMPLOYMENT OUTSIDE THE PLACE OF RESIDENCE** — Financial help for workforce mobility is one of the measures with which Government supports employment and creates new jobs through the Employment Agency. This measure is intended to boost the mobility of unemployed persons according to the local needs on the labor market. This support is anticipated to encourage and motivate these persons to engage outside their place of residence as their accommodation and transport expenses will be compensated.

**MACROECONOMIC POLICY** — Macroeconomic policy of the Republic of Macedonia in the coming period is aimed at fulfilling the strategic commitments of the Republic of Macedonia to long-term and sustainable economic growth, boosting

competitiveness of the economy and job creation, as well as better living standard of the population.

**AGRO-BUSINESS ZONE TO BE ESTABLISHED** — An integrated agricultural zone will be established in Macedonia, gathering in one place warehouses, traders, companies and other representatives of the chain of supply of fresh and processed farming products.

**OVER 12,000 PEOPLE YOUNGER THAN 29 EMPLOYED** — Over 12,000 jobs have been created in 5,500 companies with the measure for hiring people young than 29, carried out since 2014. Most of the firms that used the government measure, or 4,500, are small businesses with up to 10 employees, about 100 are medium-sized enterprises and 26 are large companies.

**SOON, NEW READY-MADE HOUSE PLANS AVAILABLE FOR FREE** — New, ready-made house plans with different square surface will soon be at the disposal of citizens who show great interest in the Ministry of Transport and Connections.

**ROAD INFRASTRUCTURE** — The overall road network of the country totals 13,278 km of roads, with continuous investment in roads in accordance with the National Road Transport Strategy, prepared by the Ministry of Transport and Communications with assistance from the EU. The backbone of the country's road network consists of the two Pan-European corridors VIII and X.

**IT AND FREE HEALTHCARE ZONES** — Government adopted laws that anticipate creation of IT zones within the technological industrial development zones, separated with a fence, and regulated with special projects. Certain steps are being undertaken and projects are being prepared for developing the IT zones given the increased interest.

**EXPORT OF TEXTILE PRODUCTS** — The garment industry in Macedonia exports mainly to EU countries. 93 percent of the production is organized by the CM or CMT (Cut, Make & Trim) system for foreign markets. Full production and own brand production is partly exported and the rest is placed in the domestic market.

**THE PROJECT FOR LAND PURCHASE** — As of 2009, is possible for the land purchase to be realized under favorable conditions with a discount of 30% if the companies pay it in cash at affordable price. So far, more than 2,500 companies have used the opportunity for land purchase under the Government Project launched in 2009, and such support and assistance to the business community will continue.

**AGRICULTURAL LAND - INVESTMENT OPPORTUNITY** — The Ministry of Agriculture, Forestry and Water Economy as an authorized body has intensively been distributing agricultural land of good quality which is in state ownership, that is granted under lease (for use during the period of several years) to the interested investors, including foreign entities with established branch offices in the Republic of Macedonia.

**TEXTILE INDUSTRY** — With a long, rich tradition in clothing and textiles, this sector is the second largest export industry in Macedonia. The competitive export advantages include short delivery periods, flexibility of delivery size together with exceptional value for money. In addition to garments, there is manufacturing potential for cotton thread and fabric, wool yarn, fabric and knitted fabric.

**RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT** — The Constitution of the Republic of Macedonia guarantees an investor's right to property. No person may be deprived of his/her property or the rights deriving from it, unless the use of that property affects the general welfare of the public.

**WHY INVEST IN AGRIBUSINESS IN MACEDONIA?** — Challenges Opportunities the agriculture production and agribusiness sector are the most important economic sectors of Macedonia. Almost 435,500 people, out of a population of 2.1 million, make whole or part of their income from agriculture activities. The great natural preconditions and an existing tradition enriched with newly developed skills create a variety of opportunities in agriculture, from high mountain pastures of over 2000m high, to the rich water valleys with a Mediterranean climate.

**CONSTRUCTION COSTS** — Numerous Macedonian construction companies can build factories quickly to international standards and at the most competitive prices in Europe. The average cost of constructing a factory building shell is between €170/m<sup>2</sup> - €210/m<sup>2</sup>. The sale price of state-owned construction land for industrial and production facilities varies depending on the location, from €5/m<sup>2</sup> to €40/m<sup>2</sup>.

**MACEDONIA - A BUSINESS SUPPORTIVE ENVIRONMENT** — Given the need for speed in today's global marketplace, Macedonia is fast becoming a major European service and distribution hub. You can set up a company here in just four hours! The World Bank "Ease of doing Business 2014" report shows that Macedonia is a regional heavyweight and 25th country in the World. Macedonia has also had a positive Forbes review coming 36th in a ranking of "Best Countries for Business."

**EXPORT PROMOTION STRATEGY** — In the process of preparation for the exports, the companies need to conduct a research that will help them choose a market which will contribute to the maximization of the benefits and minimization of the risks. The same research will also help the managers decide not only on the markets to enter but also on the modes of entry.

**EXCELLENT INFRASTRUCTURE** — Macedonia is at the crossroads of South Eastern Europe, which makes it an ideal transit and distribution center for products for European markets. The developed road and railway infrastructure, in combination with the small area of the country enables access to every inhabited place in Macedonia in less than 3 hours. The Railway infrastructure in the Republic of Macedonia has been put in place since 1873, when the first Railway Track from Skopje to Thessaloniki in Greece has been constructed. Macedonian railway network system is connected north-south with the railway network systems of Serbia and Greece.

**LABOR LEGISLATION** — The recently enacted new Labor Law, prepared in accordance with the EU standards, provides increased flexibility of the labor market by offering and promoting flexible and different employment contracts and flexibility of working time. Also, reforms in this sphere have introduced training programs, support for entrepreneurs, as well as improvement of the overall business climate. The average gross monthly salary in 2013 is €502. This amount includes the net salary, personal income tax and social contributions for pension and disability insurance, health insurance and employment insurance. The minimum salary for each professional branch is defined by Collective agreements.

**FREE HEALTH ZONES** — Health tourism, attracting foreign capital to introduce new health methods and procedures, transfer of new technology, increased competitiveness, employment and quality of the higher education offer in the field of medicine are part of the benefits expected from the establishment of free health zones. The whole concept is designed to establish a health zone over a greater territory which is likely to be in Skopje on 15-20 acres for hospitals founded and built by foreign companies.

**INCREASED SUBSIDIES FOR TOURISTS FROM SERBIA, BULGARIA AND BOSNIA AND HERZEGOVINA** — The Government decided to increase the amount of subsidies for attracting tourists from Bosnia and Herzegovina, Serbia, and Bulgaria from 25 to 35 euro per tourist. Subsidies for tourists from 6 other states i.e. the United States, England, Germany, Kazakhstan, Azerbaijan and Qatar are announced for 2015.

**THE SOFTWARE INDUSTRY HAS EMERGED AS ONE OF THE MOST DYNAMIC SECTORS** — In recent years, the software industry has emerged as one of the most dynamic sectors of the Macedonian economy. With a growth rate of 7.7% in 2009, the Macedonian software industry outran the development pace of the overall economy and became an engine for growth, innovation and competitiveness. Like several other transformation countries in South East Europe, Macedonia has discovered the strategic importance of the software industry and its enormous potential for exports.

**MODERN DIGITAL TELECOMMUNICATIONS NETWORK** — The Macedonian Information Technology market has marked another significant growth in 2009 of 7.7%, reaching \$164.5 million. Over the five-year forecast period, the country's IT market is expected to expand at a compound annual growth rate (CAGR) of 5.2%, and reach \$212 million in 2014. Hardware is the largest and most dynamic segment of the Macedonian IT market, with a striking yearly growth of 84.7%, taking up nearly 62% of the total IT market.

**FREE MARKET ACCESS** — Duty-free access to a market of over 650 million customers through three multilateral (SAA, EFTA and CEFTA) and two bilateral (Turkey and Ukraine) Free Trade Agreements.

**EUR 500,000 IN STATE AID FOR INVESTORS IN INDUSTRIAL ZONES** — Up to €500,000 can be granted as incentive towards building costs depending on the value of the investment and the number of employees. Land in a TIDZ in Macedonia is available under long-term lease for a period of up to 99 years.

**400,000 EURO INVESTMENT - THE ROAD TO OBTAINING MACEDONIAN CITIZENSHIP** — Foreign nationals who are residents of the EU and OECD countries and have purchased real-estate (house or flat) in Macedonia in an amount of over 40,000 euro will get the chance to be immediately granted one-year stay in the Republic of Macedonia.

**LOW TAXES** — Flat corporate and personal income tax rates at 10%; 0% tax on retained earnings.

**EXCELLENT GEO-STRATEGIC POSITION** — Goods delivered within a day to Central and Eastern Europe and Turkey, and maximum two days to Western Europe.

**FAST COMPANY REGISTRATION** — One-stop-shop system for company registration within 4 hours.





# FITCH CONFIRMED THE “BB” RATING FOR MACEDONIA, BUSINESSMEN ARE OPTIMISTS

According to Executive Director of Macedonia's Chambers of Commerce, Mitko Alekov this confirmation will serve as incentive for domestic and foreign investors to increase their production and expand their businesses

Credit Agency Fitch confirmed the “BB” rating for Macedonia, stressing that the confirmation of positive signals is a result of the sound monetary and macroeconomic policy.

The reports of relevant international institutions bring optimism for the future of Macedonian economy, and the end of the political crisis would have a positive influence on the economic growth, stress businessmen.

According to Executive Director of Macedonia's Chambers of Commerce, Mitko Alekov this confirmation will serve as

incentive for domestic and foreign investors to increase their production and expand their businesses.

Fitch highlights that the country deserves a higher rating, given the economic performances and results, but as a result of the political crisis, they only confirmed the rating.

Last year, the Macedonian economy marked a growth of 2.6 percent GDP pursuant with Fitch's projections. This Agency anticipates that Macedonia will mark a growth of 3.4 percent in 2017 from export and investments.

## Rating Fitch Republic of Macedonia

Long Term Rating				Short Term Rating			
Foreign Currency		Local Currency		Foreign Currency		Local Currency	
Date	Rating (Outlook)	Date	Rating	Date	Rating	Date	Rating
2017-02-17	BB (Negative)	2017-02-17	BB	2017-02-17	B		
2016-08-19	BB (Negative)	2016-08-19	BB	2016-08-19	B		

## IMPROVED COOPERATION AS IMPERATIVE

Entrepreneurs and small economies must have mutual cooperation if they want to generate economic growth and create new jobs. The business community from the region promoted in Skopje the initiative for connecting the entrepreneurs from small countries.

Small countries in the region mark increased growth in exports, but the problem is the limited offer. The labor market was too long neglected, fortunately that changed in the last 3-4 years, assesses Vladimir Gligorov from the Vienna Institute for International Economic Studies.

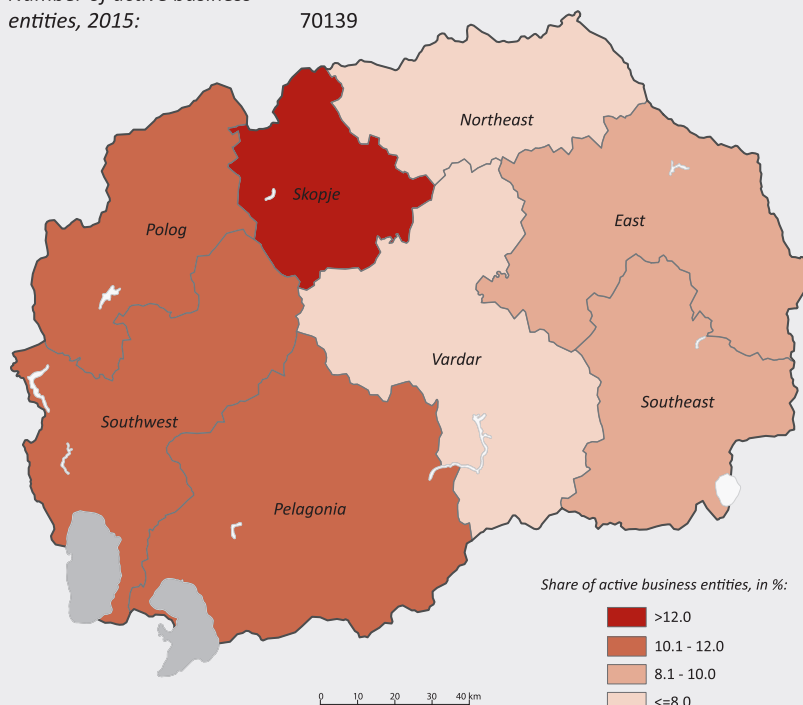
“Administration in this region flourished more that business grew”, said Branko Roglic businessman from Croatia.

“Economy doesn't know for small countries, it only knows for successful economies and with this potential Macedonia can remain successful economy in the next twenty years”, commented economic expert Goran Rafajlovski.

### Active business entities, 2015

Number of active business entities, 2015:

70139



# INVESTMENTS STIMULATE REGIONAL GROWTH

*Macedonia is divided into eight statistical regions: Skopje, Northeast, Polosko, Pelagonija, Southeast, Southwest, East and Vardar region. There are obvious disproportions, especially with the territorial distribution of the population*

Foreign investments in Macedonia contributed for more equivalent regional growth by opening factories and new jobs, improving the infrastructure connection and living standard. The data of the State Statistical Office shows big disparities between different regions in Macedonia, but the situation is changing.

Macedonia is divided into eight statistical regions: Skopje, Northeast, Polosko, Pelagonija, Southeast, Southwest, East and Vardar region. There are obvious disproportions, especially with the territorial distribution of the population.

For example, Skopje region has ten times higher population density compared to the Vardar region, and there are also great differences in the age of population. The younger population is

concentrated in Skopje, Polosko and the Northeast region.

Foreign investments contribute for population dispersal. Many factories were opened in different cities. "Draxlmaier" in Kavadarci has already employed over 5,500 people, "Kromberg & Schubert" in Bitola has over 3,000 employees, US company "Gentherm" opened a factory in Prilep, KSS invested in Kicevo, "Marquardt" in Veles, "Steel Con" in Staro Nagoricane, "Anthura" and "Amphenol" invested in Kocani, "ODW Elektrik" in Ohrid, and many other companies decided to invest in the free economic zones in Skopje and Stip.

"It is very important that companies investing in Macedonia aren't focused only in Skopje but operate in other cities

as well, which encourages young people to stay. Foreign investments contribute for reducing the unemployment rate, and the reduced unemployment increases salaries". said Director of Technological Industrial Development Zones, Viktor Mizo.

The improved infrastructure is one of the key factors for a balanced economic growth. Currently there are three new highways under-construction: Demir Kapija-Smokvica, Kicevo-Ohrid and Milanovce-Stip, the highway junctions on Corridor X are being reconstructed and three new highways are planned: Gostivar-Kicevo, Skopje-Blace and Trebenista-Struga.

## MILLER: TAX REFORMS IN MACEDONIA ARE KEY FOR ECONOMIC FREEDOM

Macedonia introduced economic policies in several fields that can compete with leading countries worldwide, stated Terry Miller Director of the Center for Data Analysis and the Center for Trade and Economics at the Heritage Foundation.

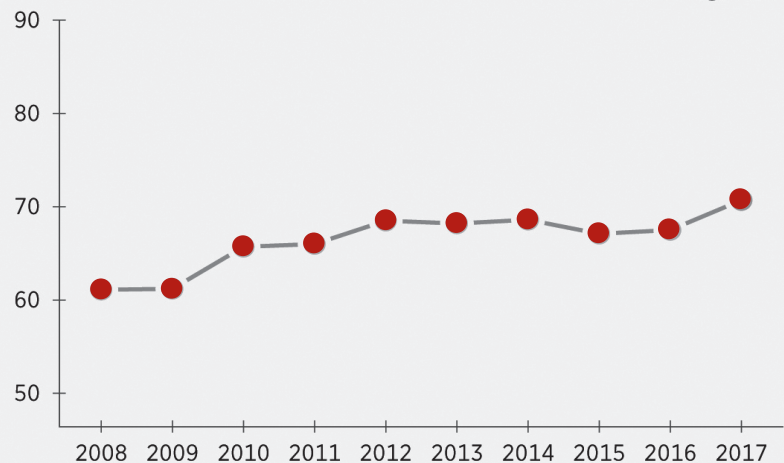
"Macedonia has a fantastic system, especially regarding tax reforms, which keeps tax rates relatively low and that enables individuals to control their resources, both invest and spend as they please. That is the key aspect for economic freedom, said Miller.

He also added that Macedonia's openness to trade and investment courses worldwide, participating in the phenomenon of globalization, helped many to succeed.

### MACEDONIA

2017 INDEX OF ECONOMIC FREEDOM SCORE:

**70.7**



# FOREIGN INVESTORS WILL PRESENT FREE IDEAS TO THE NEW GOVERNMENT

*The Foreign Investors Council will issue a White book of remarks and proposals, and will organize a platform for analyzing the problem with lack of educated workforce pursuant business' needs*

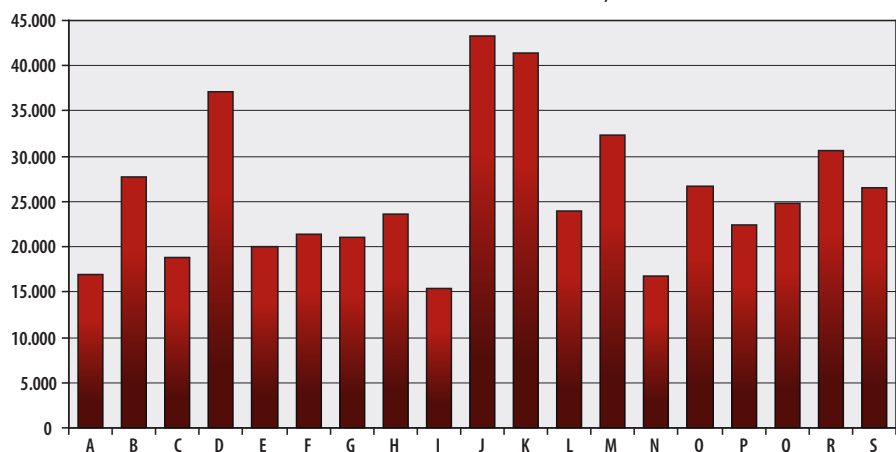
## ECONOMY

Foreign investors expect to soon have a dialogue with the new set of government in Macedonia and present free ideas and proposals which if implemented will contribute for economic growth, stated President of the Foreign Investors Council within the Economic Chamber, Stefan Peter. This Council will issue a White book of remarks and proposals, and will organize a platform for analyzing the problem with lack of educated workforce pursuant business' needs.

– The discussion will show whether one of the conclusions on this platform will present the need of reforms in the educational system, said Peter. He pledges for fair and decent salaries, in order to prevent citizens from leaving the country. Still, every company will individually decide whether to give minimal or higher salary to its employees.

According to Peter, the policy for attracting foreign investors with government subsidies proved successful in the last couple of years, and resulted with many investments in Macedonia.

AVERAGE MONTHLY NET WAGE PAID PER EMPLOYEE, December 2016



A Agriculture, forestry and fishing  
 B Mining and quarrying  
 C Manufacturing  
 D Electricity, gas, steam and air conditioning supply  
 E Water supply; sewerage, waste management and remediation activities  
 F Construction  
 G Wholesale and retail trade; repair of motor vehicles and motorcycles  
 H Transportation and storage  
 I Accommodation and food service activities

J Information and communication  
 K Financial and insurance activities  
 L Real estate activities  
 M Professional, scientific and technical activities  
 N Administrative and support service activities  
 O Public administration and defence; compulsory social security  
 P Education  
 Q Human health and social work activities  
 R Arts, entertainment and recreation  
 S Other service activities

## GERMAN COMPANIES' INTEREST IN MACEDONIA RISING

*The German companies present in the Macedonian market employ some 20,000 people today and trade between Macedonia and Germany in 2015 totaled 2.5 billion euros*

The Macedonian exports to Germany are growing and so is the German investors' interest in Macedonia, said the newly appointed director of the Delegation of German Chambers to Macedonia, Patrick Martens.

He stressed that the Macedonian market was very important to Germany and that due to the expansion of its business activities the Delegation would hereafter be run directly from Skopje instead of Belgrade.

Talking about the economic activities and the role of the chamber operations, Martens emphasized the need for professionals trained in specific fields in the business sector. In this context, he particularly stressed the need for dual education and announced the 3-year project supported by the German government set to begin this year.

In 2000 when the German representative office in Macedonia was opened, there were 15 German companies. This

figure has since increased tenfold. The number of direct German investments has also stepped up over the years. The German companies present in the Macedonian market employ some 20,000 people today and trade between Macedonia and Germany in 2015 totaled 2.5 billion euros. Germany therefore remains to be Macedonia's most important trade partner.

# INTERNSHIP FOR THOUSAND UNEMPLOYED YOUNG PEOPLE IN PRIVATE COMPANIES

*Since 2009, AVRМ's internship program has encompassed 3,157 people, 1,882 (60%) of which are now employed. Nicola Bertolini, Head of Cooperation at the EU Delegation to Macedonia considers that the young employment measure must be supported*

**T**housand unemployed young people under 29 will get the opportunity to serve as interns or to get a job in the private sector as published in the open call by the Agency for Employment of the Republic of Macedonia (AVRM). The internship program is implemented with funds provided through an IPA project "Supporting young people to find employment". AVRМ has been awarded a third direct grant in order to help young people integrate more easily into the labor market. This year, over 18 million denars are allocated for this measure.

Director of AVRМ, Vlatko Popovski called on companies in need of young staff to apply at the call to train the candidates before employing them. Young people under 29 who will apply to be part of the measure will serve a three-month internship in a private company or non-governmental organization, where they will be given the chance to learn new skills and acquire knowledge. Candidates should have finished at least high school education, and will receive monthly compensation for covering their travel expenses.

Since 2009, AVRМ's internship program has encompassed 3,157 people,

1,882 (60%) of which are now employed. Nicola Bertolini, Head of Cooperation at the EU Delegation to Macedonia considers that the young employment measure must be supported.

The IPA project "Supporting young people to find employment" is being implementing since December 2016. The 12-month project is estimated at 1.4 million euro and aims at integrating young people into the labor market by expanding their knowledge and skills. It is expected that this project will cover 3,790 persons in the planned trainings.

## LABOUR FORCE AND ACTIVITY RATES<sup>1)</sup>

	Total working age population	Labour force			Activity rate	Employment rate	Unemployment rate
		Total	Employed	Unemployed			
2015	1 676 659	954 924	705 991	248 933	57.0	42.1	26.1
2015/IV	1 677 593	949 525	715 758	233 767	56.6	42.7	24.6
2016/III	1 679 052	949 944	727 985	221 959	56.6	43.4	23.4
2016/IV	1 679 290	950 255	731 107	219 148	56.6	43.5	23.1

<sup>1)</sup> Because of calculations of the sample and rounding up calculated results to one number, sometimes deviations are possible in the total of the results that are obtained by summing up individual items.

## OVER 3,100 WOMEN STARTED THEIR OWN BUSINESS

*It is a positive fact that women participate with 30 percent out of the total number of created jobs*

**O**ver 3,100 women started their own business in the period 2007-2016 with the support of government's measures for stimulating business. Women have high entrepreneurship spirit and start their own businesses. Director of the Center for Employment in Skopje, Slobodanka Aleksovska stressed that in the last ten years, the image and role of women has drastically changed.

– Eleven years in a row the Operational plan for active programs and

measures for employment adopted 22 programs and measures for employment, 11 services on the labor market, and the total number of participants is projected to surpass 41,000 persons who will create 10,000 jobs. It is a positive fact that women participate with 30 percent out of the total number of created jobs. Past results show that women participate with over 45 percent in the business sector, says Aleksovska.

State institutions and civil associations will encompass several fields and stimulate mutual cooperation by organizing educational meetings and consultations in order to improve women's skills and capacities which will then raise women's awareness and boost their inclusion in the labor market. Support will be granted to women from rural areas, women-farmers, women in the agricultural sector and support artisanship in women.



# MACEDONIA AMONG THE LEAST INDEBTED COUNTRIES IN THE REGION

*The public or national debt consists of the capital that the country borrowed for financing the deficit*

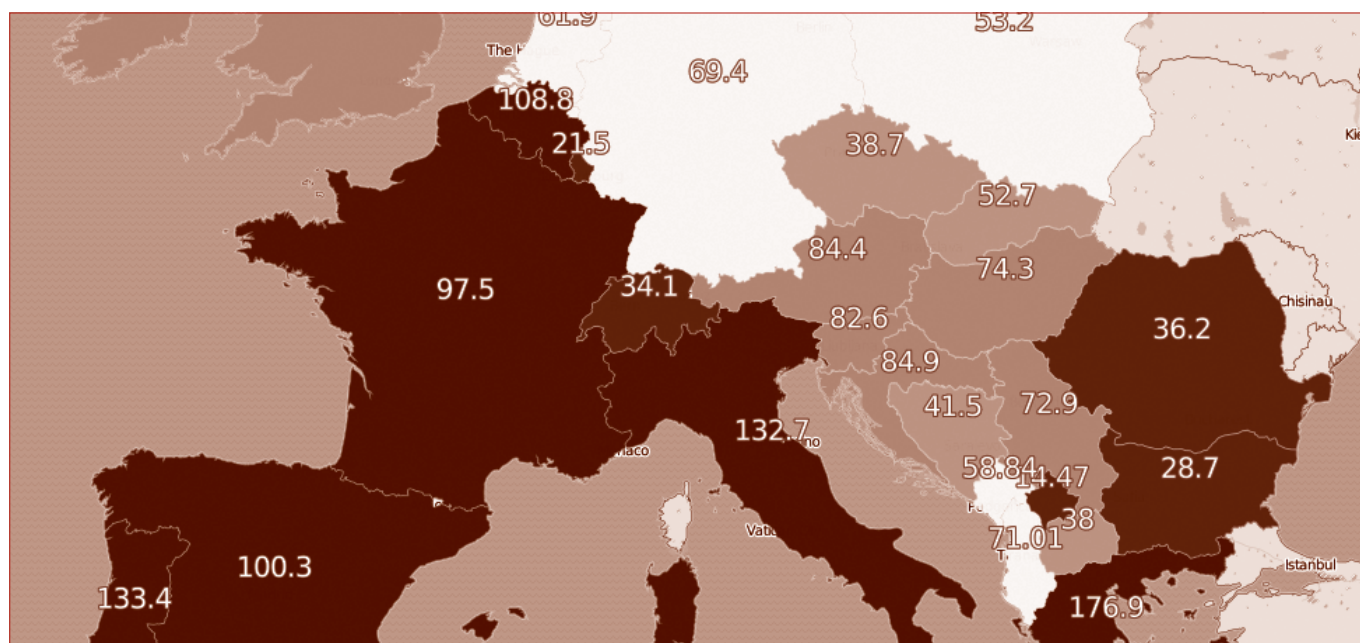
Balkan countries Montenegro, Albania and Croatia are at risk to have their public debt increased, lists the World Bank in the most recent Global Economic Prospects.

According to the World Bank, Macedonia is among the countries with lowest total public debt (3.4 billion euro i.e. 38

percent of the GDP). Kosovo is behind with only 852 million euro of public debt i.e. 14.47 percent of the GDP, having in mind that Kosovo is the youngest country in the region.

The public or national debt consists of the capital that the country borrowed for financing the deficit.

The public debt per capita is calculated by dividing the debt to the number of citizens, in Macedonia this accounts for 2,599.7 euro. Bosnia and Herzegovina and Kosovo have lower debt per capita, while the debt per capita in Slovenia is 16,500 euro.



## MACEDONIA TO RECEIVE THE FIRST PLASTIC MONEY

Ongoing preparations for issuing the first plastic money on the Macedonian market, it regards banknotes with denominations of 10 and 50 denar which will be made of plastic and if everything goes as planned, will enter in circulation by the end of this year.

Laboratory tests show that polymer banknotes misshape and melt on temperature higher than 120 Celsius degrees which means that they won't damage in the laundry machine, they are cleaner and more difficult to counterfeit.

The banknotes with denominations of ten and fifty denars, or among the so-called paper money, should have been successively withdrawn from circulation and be replaced with coins or so-called iron money with denominations of 10 and 50 denars.

That is why banknotes with these denominations are not being printed since 2013.

Banknotes were replaced with coins because they are the most used in the payment system and are easily damaged, so in order to reduce the expenses for their frequent re-printing, it was decided to replace banknotes with coins of 10 and 50 denars.

According to official sources of the National Bank of the Republic of Macedonia, iron money won't be back in circulation because citizens tend to lose them and don't have the same attitude like with paper money, Macedonian media reports.

That is why the National Bank is preparing to issue the new plastic money in circulation because they are better in quality and more durable.



# 35,000 MACEDONIAN CITIZENS PAID PENSIONS BY ANOTHER STATE

*Since independence, the Republic of Macedonia has concluded social insurance agreements with Austria, Switzerland, Germany, the Czech Republic, Poland, Luxembourg, the Netherlands, Belgium, Romania, Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Bulgaria, Turkey, Montenegro, Australia and Canada*

**B**ased on bilateral social insurance agreements that Macedonia has signed, some 35,000 citizens are paid pensions by another state. 13,000 of them receive pensions from Germany. According to the Ministry of Labor and Social Policy, foreign pensions account for 12 percent of the total number of pension beneficiaries in the Republic of Macedonia of some 280,000.

Since independence, the Republic of Macedonia has concluded social insurance agreements with Austria, Switzerland, Germany, the Czech Republic, Poland, Luxembourg, the Netherlands, Belgium, Romania, Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Bulgaria, Turkey, Montenegro, Australia and Canada.

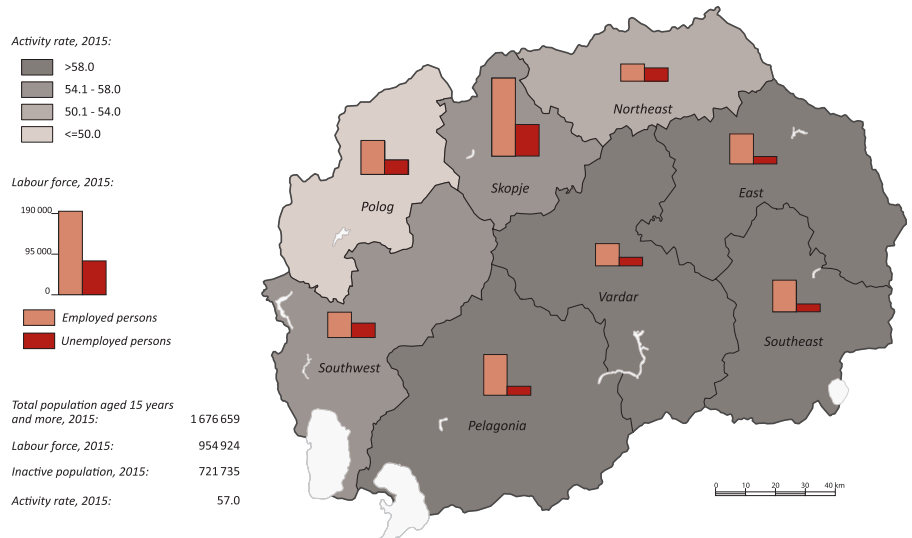
“All the concluded bilateral agreements, with no exception, in addition to the issues relating to the pension and disability insurance, also regulate in a way the issue of the transfer of pensions between countries. This means that the countries that concluded international agreements have a responsibility to pay pensions in

the country of which the pension beneficiaries are citizens if they are permanent residents there.

“The Pension and Disability Insurance Fund also pays pensions abroad to

foreign citizens based on reciprocity if a social insurance agreement with the country hasn't been concluded,” the fund explains.

**Population aged 15 years and over by economic activity, 2015**



## RETIREMENT CONDITIONS TO REMAIN THE SAME

*The Ministry also explains that when alterations are made to the retirement conditions, the retirement age is never steeply raised. It rather goes up gradually*

**T**he Ministry of Labor and Social Policy says they are not considering nor making any plans to raise the retirement age. Under the pension insurance law, men become entitled to retirement on turning 64 and women on turning 62 years of age. However, if they don't want to retire, they are allowed to continue working.

Under the employment relations law, employers terminate employment con-

tracts when their employees turn 64 and have worked for at least 15 years. But even then, employee can choose to continue to work. Employers have no right to force them into retirement.

The Ministry also explains that when alterations are made to the retirement conditions, the retirement age is never steeply raised. It rather goes up gradually.

Under the amendments to the pension and disability insurance law, since

January 2013, the pension basis is not restricted to 80 percent as has previously been the case. Now for every additional year, the pension basis increases by 1.61 percent. Therefore, if a woman has 37 years of service on the day she turns 62; her pension basis will be 83.2 percent, not 80 percent as was the case before.

# CREDIT LINE OF EUR 50 MN FOR MACEDONIAN COMPANIES

*The National Bank decided for the third time since December 2016 to reduce the benchmark interest rate by 0.25 percentage points, to 3.25 percent, the same level of July last year, that is before the crisis began*

## BANKING

Domestic companies have over 50 million euros at their disposal through the favorable loans from the European Investment Bank. The support for the business sector will continue this and next year. The loans are channeled through the Macedonian Bank for Development Promotion and have an interest rate of 5.5 percent.

Cheap loans were also available to Macedonian companies when the debt

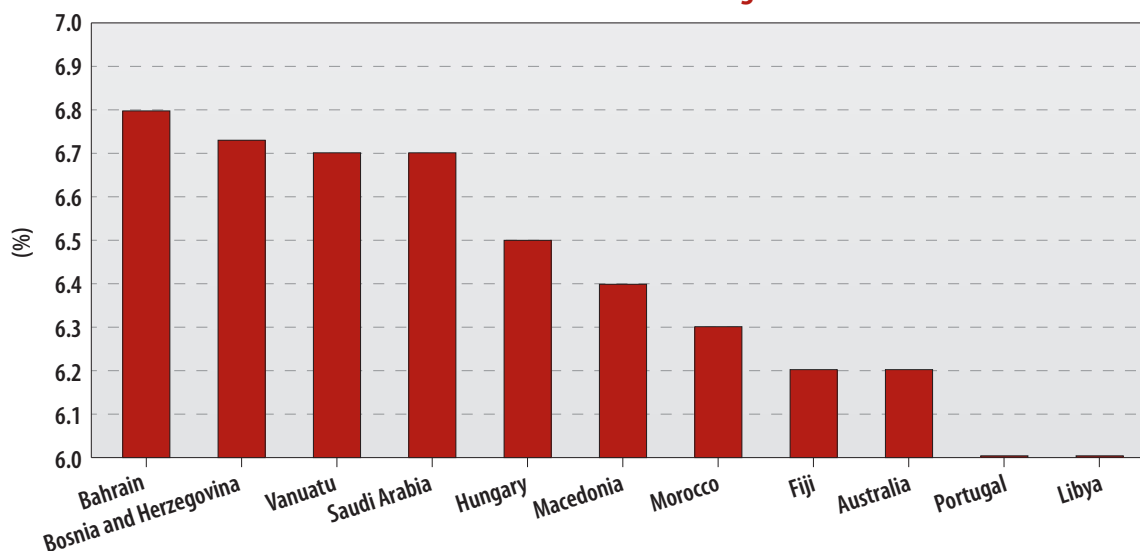
crisis broke out. 350 million euros have since been injected for more than 1,700 projects that helped create almost 7,000 jobs.

Macedonian banks have also heralded cheaper commercial loans. The reduction of the benchmark interest rate of the National Bank will be the first to drive down the cost of these loans. The National Bank decided for the third time since December 2016 to reduce the benchmark

interest rate by 0.25 percentage points, to 3.25 percent, the same level of July last year, that is before the crisis began.

Whether costs of other loans drop too will soon be known since banks say they will soon start making calculations.

**Commercial Bank Prime Lending Rate**



## STOPANSKA, KOMERCIJALNA AND NLB BANKA MARK PROFIT IN MILLIONS

Last year, the three largest banks in Macedonia, Stopanska banka Skopje, Komercijalna banka and NLB banka accumulated profit of around 74 million euro.

Stopanska banka Skopje made a profit of around 36.4 million euro, which is

an increase compared to the profit of 31 million euro in 2015.

In the period 01.01-31.12.2016, Komercijalna banka made net profit in the amount of 12.6 million euro compared to the 8.5 million euro net profit in 2015.

The net profit of NLB banka, 31.12.2016 inclusive, was around 25.6 million euro which is 89.8 percent higher compared to the same period in 2015.

# POLITICAL CRISIS TAKING TOLL ON ENERGY REFORMS

*The Government postponed liberalization saying it was thus protecting its citizens from paying a higher electricity price. Liberalization was set to begin in January 2015*

The long political crisis is slowing down energy sector reforms. The fact that Macedonia doesn't have a functional parliament yet has an effect most on the country's energy legislation. According to the director of the European Energy Community, Janez Kopac, there are many things that have to be done to ensure this sector's proper development.

Reforms are halted, he says, because parliament, even if it wants to, cannot pass anything that would refer to the new energy law. Kopac said he hoped that the situation would stabilize soon and a new law would urgently be passed. In that process, he announced assistance from the Energy Community.

"We agreed with representatives of the government to try and develop legal amendments together once parliament becomes capable of accepting them. In the beginning that would probably be done with several amendments to the existing law," Kopac said.

Not having an energy law in keeping with the European standards has been the most common criticisms by the Energy

Community and the harshest were the remarks regarding the delayed liberalization of the power market, with which Macedonia violated the energy community agreement.

The Government postponed liberalization saying it was thus protecting its citizens from paying a higher electricity price. Liberalization was set to begin in January 2015.



## ELEM: PRODUCTION OF ELECTRICITY IN JANUARY EXCEEDS PROJECTION BY 8.61 PERCENT

*The hydroelectric power stations' output exceeded projections by 28.91 percent and the Bogdanci wind farm put out 37.59 percent more electricity*

In January this year, ELEM produced more than 501,201 MWh of electricity. The company said the production plan for consumers who are in the regulated electricity market for the first month of 2017 had been exceeded by 8.61 percent.

"Domestic production facilities provided 90 percent of the required electric-

ity as the remaining 10 percent were provided through electricity imports," AD ELEM said.

The Bitola and Oslomej thermoelectric power stations and the combined plant Energetika produced a total of 337,201 MWh of electricity which is 0.72 percent above the plan. The hydroelectric power stations' output exceeded projections by

28.91 percent and the Bogdanci wind farm put out 37.59 percent more electricity.

68 percent of all the electricity produced in Macedonia comes from the thermoelectric power stations, 30 percent from the hydroelectric power plants and 2 percent from wind farms.

# ELEM REVIEWS OPTIONS FOR BUILDING NEW POWER STATIONS

*Headed towards expanding the portfolio of renewable sources, ELEM continues to realize the second stage of the project Parc of Veterans in Bogdanci, and the third stage of the project for revitalization of existing hydro power plants*

JSC Macedonian Power Plants (AD ELEM) reviews all possible options and potentials for the construction of new domestic electric power plants. From this company announce that several feasibility studies are being prepared which will present the available options and determine the optimal locations for the construction of new electric power plants as basic sources of energy in the Republic of Macedonia.

According to the announcements, platforms are being prepared for the feasibility studies that will give optimal and profitable solutions for the construction of new capacities for renewable energy and possibilities for additional use of water, wind and sun. Simultaneously, they review the alternatives for the construction of cogeneration power plant that uses fuel as energy generating product, with a possibility for combined production of electrical and thermal energy.

– The current activities for gasification in Macedonia present an opportunity for the construction of several fuel power plants. The feasibility study will offer three optimal locations for the construc-

tion of these facilities. One of the locations will be in the city of Skopje, the second between Tetovo and Gostivar, and the third some in between Stip-Veles-Kocani, stress from ELEM.

Headed towards expanding the portfolio of renewable sources, ELEM continues to realize the second stage of the

project Parc of Veterans in Bogdanci, and the third stage of the project for revitalization of existing hydro power plants, as well as the ongoing preparatory activities for the project for regulating the water in River Vardar through optimal use of waters from Hydro Power Plant Raven to the accumulation Kozjak.



## NEW TAILINGS POND IN “SASA” MINE TO BE BUILT BY ALL STANDARDS

*After authorities issue all the necessary permits, the tailings pond is expected to start operating in 2018*

The new tailings pond in lead and zinc mine “Sasa” will be built by all standards to be safe for the citizens of Makedonska Kamenica and the region, stressed Maksim Prohorov Director for Development and Investments in “Sasa” mine, stressing that a set of technical documents and international scientific experiences were used for preventing any

negative influence, especially on underground waters and pollution.

The new tailings pond is the forth pond to be built in the 50 year of existence of this mine. A total of 19 million tons of slag have been disposed in the three existing tailings ponds, and the new pond will be located on around 3,170 million cubic meters and will be use in

the next seven years. After authorities issue all the necessary permits, the tailings pond is expected to start operating in 2018.

Regarding the Strategic Environment Assessment there was a public dispute in Makedonska Kamenica attended by citizens and environment experts.



# ONLINE PREVIEW OF THE CONTENT OF LAND PARCELS FOR CONSTRUCTION

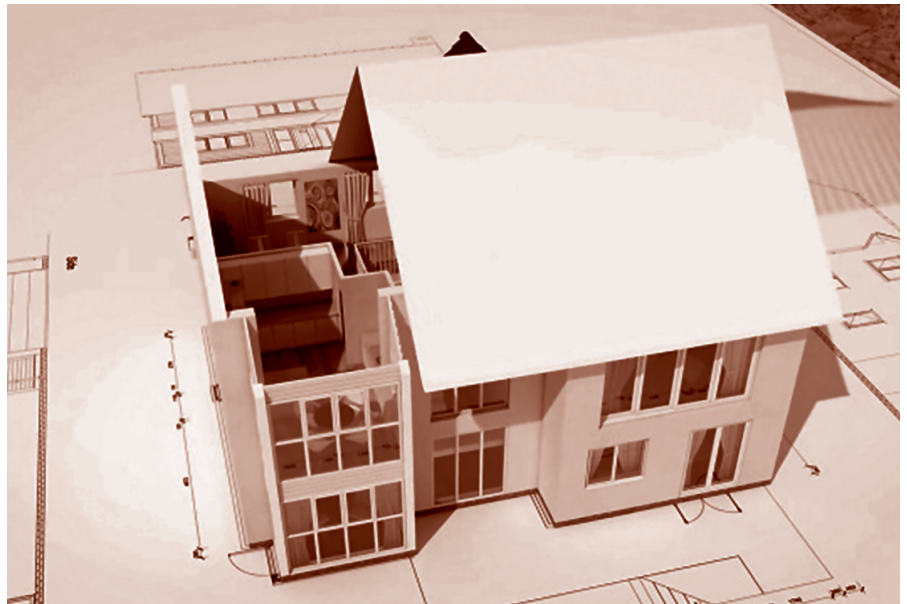
*This registry of construction land parcels consists of a total of 1,000 urban plans on over 47 thousand meters squared of construction property. The construction land is standardized and there is also a transparent preview of locations and land property*

Information about every land parcel for construction, land property, content, constructed or planned constructions, are available on the graphic register of land parcels for construction. In addition to the graphic preview, there is also information about the purchase property price and the nearby facilities. According to the Agency for Real Estate Cadastre, citizens are enabled to get a historical preview of the property movements, and the business community is enabled to get the clear picture for the available construction land and control over the project realization.

This registry of construction land parcels consists of a total of 1,000 urban plans on over 47 thousand meters squared of construction property. The construction land is standardized and there is also a transparent preview of locations and land property.

“Every citizen is enabled to see the content on his land parcel and the planned constructions on his parcel or on the nearby parcels, and the business community can see the available land parcels on the entire territory of the Republic of Macedonia”, said Slavce Trpeski Director of the Agency for Real Estate Cadastre.

Authorities expect that this graphic registry will boost the construction on land parcels, attract new investments, provide transparency and efficiency in the process of preparing and making plans.



## HOUSING BUILDINGS AND RESIDENTIAL PROPERTIES SHOW IN 3D CADASTRE

*The project should be completed in three years and will be financed with funds of the European Union, following the experience of Netherland's Cadastre for introducing a tridimensional preview of the real-estate*

Housing buildings and residential properties will be shown in tridimensional preview in the cadastre system. Introducing the height point of object will enable to visualize the real image and inform about the real-estate property including surface, height and depth. The new attribute data will facilitate the process of identification in densely populated

areas where 2D registration is limited, inform from the Real Estate Cadastre Agency.

The project should be completed in three years and will be financed with funds of the European Union, following the experience of Netherland's Cadastre for introducing a tridimensional preview of the real-estate.

“The purpose is to make the real world visible and to visualize the system”, says Klaas van der Hoek from the Netherland's cadastre. The functional 3D preview is imposed by developed markets and that changes the rules of living by introducing a new approach in registration of real-estates and ownership.

# INDIVIDUAL PROMOTION OF TOUR-OPERATORS ABROAD

*The most attractive cities for tourists are Skopje, Ohrid and Struga even if Macedonia can offer a lot in transit tourism. Statistics shows that Macedonia terminated 2016 with around five percent growth of tourism. Over 70 percent of the tourists stay in hotels*

## TOURISM

Simplified documents required for subsidies, appropriate evaluation and timely payment, these are the demands of the Catering Industry and Tourism Association at the Economic Chamber of Macedonia. This Association believes that despite of the fair manifestations organized abroad by the Agency for Promotion and Support of Tourism (APPT), individual, direct promotion of domestic tour-operators should be organized as well.

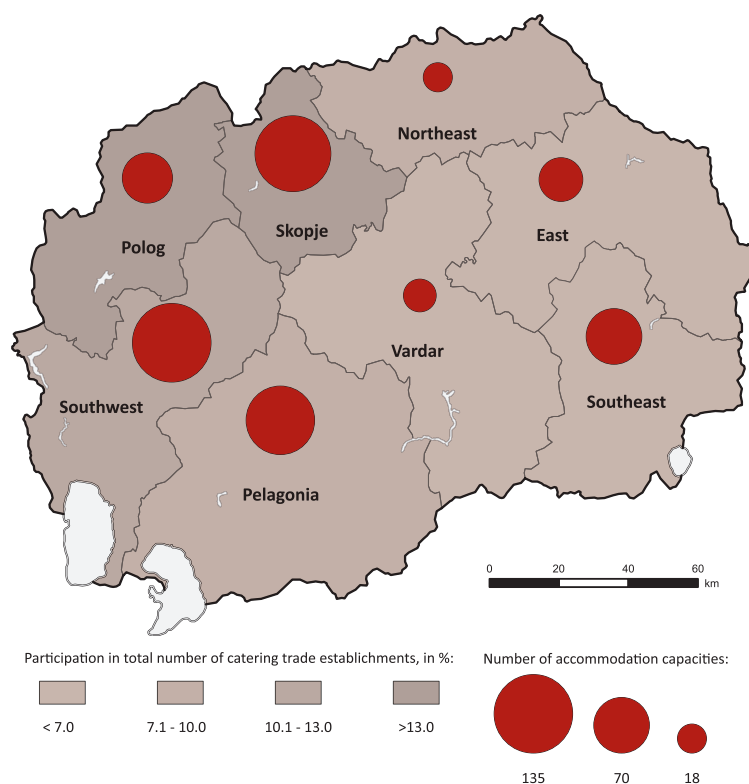
According to Asim Medjedovic from this Association, in order for better and more active promotion of Macedonia on international tourism fairs, Macedonia's corner should include the auto-camps with design and materials, and present the Hotel Association of Macedonia (HOTAM) and the Association (APPT) in at least one third of the rented corner.

The most attractive cities for tourists are Skopje, Ohrid and Struga even if Macedonia can offer a lot in transit tourism.

-We have previously discussed that the accent should be put on the winter tourism, but that requires a good infrastructure: functional roads, hotels, ski-lifts, etc. Mountain huts have great untapped potential and can contribute for tourism development throughout the entire year. However, they need to be renovated, put on the map and made accessible, commented Medjedovic.

Statistics shows that Macedonia terminated 2016 with around five percent growth of tourism. Over 70 percent of the tourists stay in hotels.

## CATERING TRADE ESTABLISHMENTS AND ACCOMMODATION CAPACITIES BY REGIONS



Source: State Statistical Office

# TAV IN TALKS WITH EUROWINGS TO INTRODUCE FLIGHTS TO MUNICH AND DÜSSELDORF

Qatar Airways officially confirmed that on 17 July this year it would begin flying between Skopje and Doha, said Transport Minister Vlado Misajlovski. He stressed that the Government's goal of raising the number of destinations reachable by plane was thus being achieved and that in recent years air traffic in Macedonia had seen some genuine headway.

Simultaneously, TAV Macedonia is in talks with Germany's low-cost airline

Eurowings, part of the Lufthansa Group, on introducing flights from Skopje to Munich and Düsseldorf, TAV Macedonia officials say. Eurowings is flying to more than 140 destinations in over 40 countries in Europe.

TAV Macedonia general manager Alper Ersoy adds that TAV Airports is also taking other activities, holding meetings and negotiating with airlines and tour operators. Part of this effort was the visit by Polish and French tour operators to

Macedonia and Ohrid last year. In result, the largest Polish tour operator will start flying this summer from Warsaw and Katowice to Ohrid.

In 2016, TAV brought to Macedonia Europe's largest tour operator, Thomas Cook, which started flying from Brussels to Ohrid. Air Serbia's charter flights between Ohrid and Belgrade and Arkia's charter flights between Ohrid and Tel Aviv began simultaneously.

# INCREASED PURCHASE AND SALE OF AGRICULTURAL PRODUCTS

The purchase and sale of agricultural products increased by 39.3 percent in the fourth trimester of 2016 compared to the same period of 2015. The monthly distribution of the value of purchase and sale of agricultural products shows an increase in all three months of the trimester.

According to the State Statistical Office, the purchase of agricultural products from individual producers increased by 65.4 percent, while the production of agricultural products from proprietary production decreased by 2.9 percent.

Increased percentage of purchase and sale of agricultural products was marked

in the industrial, garden-stuff and forage plants, fruits, cattle, poultry and eggs, dairy products, decreased percentage was marked in grains, grapes, alcoholic beverages, milk and fish.

# ONLINE REGISTER FOR PURCHASED AGRICULTURAL PRODUCTS

The purchase and payment of agricultural products will be performed online. The introduction of online system will present a full preview of the working between merchants and purchasers and the trading in buying centers. The data for purchased quantities and timely pay-

ment of farmers will be registered and controlled.

The number of contracts will be annually registered in the system and is projected between 50 and 100,000, with several times higher number of total trades.

The online register will apply for several groups of agricultural products, i.e. for the trading with fruits, vegetables, grapes, cattle, milk, mushrooms, grains, rape cultures and honey.

# FREE PROJECTS FOR CHEESE PRODUCTION FACILITIES

Stockbreeders want to build new or modernize the existing so-called sheepfolds i.e. cheese production facilities for which free technical projects are available. These projects can be used to apply for funds from the IPARD program.

Shepherds and goatherds are most interested in the free technical projects for investing in sheepfolds. The projects calculate the price of the facility and the appearance of the build or reconstructed sheepfold. The sheepfold or cheese production facility anticipates rooms for milk processing.

The financial value for the construction is almost 40,000 euro. The IPARD program offers irrevocable financial support of 75 percent or 30,000 euro return of investment to farmers.





# WINE EXPORT INCREASED BY 30 PERCENT IN 2016

*In 2016, the export of Macedonian bottled wine increased by 7 percent, and the profit of wine production was 6 percent higher compared to 2015. The export of serving wine doubled in EU member-countries, marking over 30 percent higher rate of exported wine*

Last year was fruitful for Macedonian wineries and wine-export increased by 30 percent compared to 2015. Macedonian wine was especially consumed by EU member-countries, where serving wine was sold 55 percent more compared to 2015, and bottled wine production increased as well.

In 2016, the export of Macedonian bottled wine increased by 7 percent, and the profit of wine production was 6 percent higher compared to 2015.

The export of serving wine doubled in EU member-countries, marking over 30 percent higher rate of exported wine.

Bad news is that despite of the increased purchase of wine, there was a significant trend of reduced wine prices on the global market last year, not because of the quality but because it increased in demand.

Fortunately, the export of table grape increased by 1 percent last year which is a tendency that lasts several years in a row.



## KUCI: 1.4 MILLION DENAR SUPPORT FOR HACCP SYSTEMS

The Ministry of Economy provided 1.4 million denars of financial support for introducing HACCP systems in Macedonia for 2017, commented Minister of Economy Driton Kuci.

-The independent Agency for HACCP standards in Macedonia was founded in 2013 and it is the single competent

institution for introducing and certifying this system in Macedonia. The Ministry of Economy co-financed the expenses of 25 companies, with a total of 5 million denar in budget assets, said Kuci.

Previously, when the certification process was managed by the Agency for certification from Tuzla, 11 companies

from Macedonia introduced the HACCP system, and 4 were in the certification process.

Kuci invited business subjects to apply for the means provided with this year's budget in the amount of 1.4 million denars for introducing HACCP standards.

## GOVERNMENT WILL DOUBLE THE SUBSIDIES FOR ORGANIC PRODUCTION

Government will double the subsidies for organic production by 30 percent compared to primary production, and purchasers, merchants and exporters will be subsidized with additional 5 percent of the value of the sold products.

This year, organic farmers will receive 70 percent and wine-growers 100 percent higher financial support. Half of their expenses for receiving the certificate for organic production will be additionally subsidized.

Arable land that uses green fertilizers and cultivates other green-stuff will be subsidized with 3,500 denars per hectare.

In Macedonia, there is a total of 3,100 hectares registered for organic production and 480 organic producers.