

# **FYR MACEDONIA**

Mister President,  
Honorable Governors,  
Dear Guests,

I would like to join all those who already thanked Ukraine for hosting this meeting in the beautiful city of Kiev. I would like to take this opportunity and thank Mr. Lemierre for his stewardship and dedication during his mandate.

At the beginning, I would like to say few words on the macroeconomic developments in Macedonia and to present the Government economic program and agenda. The last year was extremely good for the Macedonian economy, because for the first time in the transition period, the GDP growth rate exceeded 5%. Moreover, positive trends are recorded in all sectors of the economy: the real sector, with the so-far highest GDP and employment growth, the external sector, with excellent results in foreign trade, the fiscal area, showing much higher than planned budget revenues, the increased flow of foreign direct investments etc. Such positive trends point out that the ambitious economic programme of the Government of the Republic of Macedonia, supported by the disciplined fiscal policy and consistent monetary policy, has already started to yield results.

Reports by two eminent world institutions also speak in favour of the intensive reforms in the Republic of Macedonia. The first one refers to the report Doing Business 2008, which ranks Macedonia as the fourth top reformist among 178 countries. Such leap is due to the progress we made in reducing the procedures for business start-up and the periods for company registration, as well as in the tax cuts and the streamlining of tax procedures. The second recognition came from Transparency International, which ranked Macedonia

on the 84<sup>th</sup> position according to the corruption perception index. This is 21 positions higher than the ranking in 2006 and shows that Macedonia moves in the right direction.

I would like to point out that these excellent results accomplished in 2007 give additional incentive to the Government to accelerate the reforms necessary for improvement of the business climate. With respect to this, the Government of the Republic of Macedonia further reduced the corporate tax and personal income tax to 10% in 2008. In the area of social contributions, reforms have already started in terms of harmonization of the base for calculation of contributions and establishment of a single collection point of all social contributions. Additionally, within the next 3 years, the Government plans to gradually reduce the total social contributions from 32% to 22%.

Furthermore, the Government will implement additional measures, which will reduce the time necessary for starting a business to 4 hours. On the other hand, with substantial judicial reforms and introduction of “one-stop shop” system, time and costs for closing a business will significantly decline. We plan to adjust the business climate in the Republic of Macedonia to the requirements of the business community. Therefore, the Government currently implements the Regulatory Impact Assessment mechanism.

Bearing in mind that major problem of the Macedonian economy is the high unemployment rate, the Government implements demand-side and supply-side measures in order to influence this rate. Regarding the supply-side measures, the Government modernized the curriculum of the primary and secondary education. In addition, as from 2007, secondary education is mandatory, the Government established several new state universities, and it strongly supports the establishment of new private universities.

However, 2007 was a very successful year not only for Macedonia, but also for the EBRD. The 2007 net income of the Bank exceeded 1 billion Euros making us, the shareholders very pleased. I would like to congratulate to you, Mr. President, and to all the staff members who contributed to this remarkable achievement. Having in mind the increasing global economic uncertainty, I would certainly support the decision of the Board of Directors and the recommendation of the management to bolster the reserves of the EBRD with 80 per cent of the Bank's 2007 net income.

Moreover, I am extremely pleased with the decision of the Board of Directors to create a Shareholder Special Fund of 115 million euros, from which over 25 million euros will be provided to the Western Balkans.

However, a Bank with a strong net income and reserve position has an even bigger obligation to live up to the highest standards of quality of its operations. Therefore, I would also like to think that the EBRD would take into consideration the possibility of increasing the technical assistance provided to the borrowers and other uses of resources to enhance quality-oriented capacity. With such profit, the Bank should be able to fund technical assistance especially in areas such as energy efficiency, transport infrastructure improvement, absorption of the European funds and last but not least, the private sector.

Macedonia values the partnership with the EBRD that lasts for 15 years now and we would like to continue doing business together. For instance, the new project for improvement of the existing regional and local road network will be partially financed by the EBRD.

In view of the removal of the import customs for vast majority of goods from the EU, which will occur in 2011 and will increase the competition for the

Macedonian companies, we need much stronger domestic private sector. We would certainly encourage the Bank to focus on the private sector and deliver not only funds but expertise as well.

Another priority would be to blend EBRD's money with the European funds and help Macedonian beneficiaries to properly absorb them. Since we are talking about a European bank for encouraging development, one should be ready, Mr. President, to assist the Macedonian authorities with know-how in designing and monitoring projects financed by EU funds and other international development financial institutions. Absorption of these funds is one of our most important challenges on the way to European integration. We expect that the EBRD would complement the work of the European and International institutions in every respect.

Mr. President,

In addition to these much focused considerations I would like to emphasize that we value the EBRD as a form of European and International cooperation that is inevitable in the age of globalization. We also welcome the new President Elect of the EBRD, Mr. Thomas Mirow.

The ultimate goal of the Republic of Macedonia is to achieve full EU and NATO membership, for which my country has made significant progress. Implementation of reforms in all areas, especially in the economic area, has been constantly supported by the EBRD and we count on the support from this European development institution in the future.

Thank you.