IMPROVING THE BUSINESS CLIMATE FOR INVESTORS FROM THE MACEDONIAN DIASPORA
RECOMMENDATIONS AND NEXT STEPS

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SKOPJE, MACEDONIA
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BACKGROUND

Since independence and after five decades of government ownership, Macedonia’s major enterprises went through a volatile period of privatization. Companies, state utilities and assets were devalued and sold for a fraction of their true worth. During this time GDP was only around $2 billion US per year. Back then Macedonia had few investments from its diaspora.

Since the mid 2000’s, the economy embarked on a more dynamic trajectory of development and now has a GDP of about $13 billion US (2015). With economic development and a series of government programs aimed at attracting investments, individuals from Macedonia’s diaspora began to invest in various enterprises. However, although the conditions are more favorable now than they were ten years ago, there are still very few investments coming from the diaspora. Macedonia2025, as per its mandate for promoting economic development and cooperation between Macedonia and its diaspora, organized a Forum for Diaspora Investors in 2016.

The Investor Forum featured entrepreneurs from the diaspora who talked about their experiences, expectations and challenges as investors. This white paper comes as result of their recommendations stated during the Forum. It also reflects a pre-forum survey and a post-forum survey focusing on improving the local investment environment.

OBJECTIVE

This white paper will be presented to officials of the Government of Republic of Macedonia as a resource that will help in drafting policy and regulation directed at improving the current environment for investors from the diaspora, as well as attracting potential investors in general.

The objective of the White Paper is to relay important recommendations to relevant government, municipal and nongovernment institutions with the aim of creating a more business-friendly, responsive and professional environment throughout Macedonia but particularly outside of the capitol city Skopje.
PROS FOR MACEDONIAN EXPATRIATES INVESTING IN MACEDONIA

• Low cost of labor
• Low taxes
• Low cost of spent materials
• Knowledge of local language(s)
• Right to obtain citizenship/working permits
• Access to market/communities abroad
• Openness of Government institutions during investment period to help in any aspect (though not always with positive outcome) with accent on the TIDZ management;
• High response of people during hiring process of all profiles, both skilled and non-skilled workers;
• Connectivity
• Main cities are well connected

CONS FOR MACEDONIAN EXPATRIATES INVESTING IN MACEDONIA

• Varying degrees of competence among public servants
• Lack of interest in local government regarding “small” investments
• Slow administration/obtaining of permits
• Collision between laws and regulations addressing same area of inquiry
• Limited or no access to checklists for required paperwork/applications
• Discrepancy between education policy and labor needs of the industry
• Road infrastructure varies in quality
• Small towns face problems with utilities
• Local government administration are slow and inefficient
• Rural areas have limited labor force
DEVELOPING AN INNOVATORS’ NETWORK

During privatization, many qualified individuals lost their jobs and over time have fallen out of the labor force. Investors from the diaspora should have access to a “Yellow Pages” registry of innovators and retired professionals in order to harness their expertise. The registry should locate individuals across all industries and sectors, list their skills and expertise, list of innovations and working experience. This could be one major step towards connecting investors from the diaspora to underutilized workforce.

GIVING A BOOST TO OUR TOURISM CAPACITY

The preferences of travellers are changing and taking on new and atypical forms. This creates many segments in the tourism sector. Tourism planners and developers need to think outside the box and provide new ways for travelers including the diaspora, to interact with the country.

Formal/informal network of tourism bodies and organizations. The network should include mountaineering and climbing associations, regional lake associations, adventure associations (e.g. paragliding, kayak, etc.). Constituent organizations of the network will have a checklist of expectations and agree towards fulfilling its common mandate –promoting their specific trade, care for the local areas where they operate, cooperate with municipalities, keep a list of issues to be addressed over time, jointly develop capacities, have the permission to perform checklist inspection of accommodation where they send tourists in local area, etc. Every region needs to have its own branch of this body with a “go-to” person.

Mobile app promoting all tourism attractions and points of interest. The app should be offline and should include locations based on category, contact numbers of local (rural) accommodation and restaurants, exact directions and GPS coordinates, background info, photos, etc. The app should include mountain trailheads, trekking, archaeological sites, monuments of nature, thermal spas, local events (smokvijada), village and regional celebrations (carnivals), etc.

Mark roads, put up signs leading to attractions. Road signage in Macedonia is often confusing or missing. On every highway or local road there needs to be signs that lead to a local attraction or point of interest.

Mark/re-mark trekking trails. Currently, trails are poorly marked or misleading. To promote well-marked trails will invite tourists and adventurers. Develop and categorize trails by level of difficulty. Promote treks in each region of Macedonia.

Mark/re-mark cycling trails: bicycles have become a preferred mode of transport for millions of people around the world. Cities like Skopje, Ohrid and Bitola should have designated bike tracks and rentable bicycles. There should be a number of well-planned and marked biking trails in rural areas that span over a greater territory, which will take travelers to attractions, local accommodation and restaurants.
Standardize the quality of accommodation by designating categories of accommodation; ex: hotels, villas, city apartments, village apartments. The Government in cooperation with the Tourism board needs to develop an official checklist. Each category of accommodation will have a specific checklists of safety, comfort and cleanliness requirements. Permit for providing accommodation should be given on the merit of fulfilling the checklist. Each municipality will need to send municipal workers to inspect each accommodation once a year and have the ability to grant or take away permits.

Develop eco villages in depopulated areas. Local government to organize transport to the village and create jobs for people with sport utility vehicles who would provide specialized tours of the area. Engage residents of nearby villages in providing food, fresh fruits and vegetables. Develop local attractions.

Develop more attractions in Skopje. Tourists coming to Skopje usually see all of the landmarks in two days: Square Macedonia, Old Bazaar, the Kale fortress, Millennium Cross and Matka. There is a new addition in the Ethno Village, but is that enough? If we want tourists to stay for more than two days we need to offer more. Potential landmarks and developments are:

- Macedonian Television building for its unique architecture. An attraction would be a platform available for tourists, from where they can take photos, buy souvenirs, music CDs and movies.

- Museum for Brutalist Architecture for all the museum buffs from around the world. Skopje has received recognition for its eclectic brutalist buildings which include the Post building, Telecom building, the Goce Delcev student dorm, the National Bank, etc. One floor from these buildings can be utilized to house a unique museum exhibition detailing the otherworldly blueprint of Japanese architect Kenzo Tange.

- Historic park around the Skopje Aqueduct that will have segments with various historic eras. Around Skopje there are plenty of archaeological sites, parts of which can be transported to the Aqueduct location. A landscaped trail will take visitors on a timeline dating from the Neolithic to the Byzantine ages.

Connect local producers with tourism capacity. Macedonia needs to achieve market diversification by providing local delicacies in each restaurant and hotel. Government should release special permits to locals who will produce a bulk stock of local specialties; these will in turn offer an alternative to branded products. Examples include: elderberry and sambucus juice, linden, tegavec (Plantago major), wild mint tea and various tea blends, blackberry jam, local organic honey, etc. Restaurants and hotels should be encouraged to incorporate local foods into their menus to stimulate job creation for local residents.
ENGAGING RETURNING EXPATRIATES IN RURAL DEVELOPMENT

Many of the speakers at the Forum for Diaspora Investors said that they are interested in developing capacities in their native towns and villages. The main challenge towards that goal is depopulation and migration. The following recommendations can harness the advantages of the rural environment and of the local communities towards creating jobs.

The Government can stimulate seasonal back-migration to villages by encouraging the return of expatriates who own property there. Government and local community experts can survey local villages and cite comparative advantages and opportunities found in those areas, to be presented to diaspora communities by economic promoters.

The government can further attract diaspora investors by providing subsidized apartments for the investor to reside in during the off-season. The investor will be obliged to attend the development of the capacity at all times except for the off season, wherein the subsidized apartment will provide an additional incentive for remaining in the country.

The Government should work with local high schools and universities in providing workforce for diaspora investors. This will require a law or regulation that would enable legal on-the-books seasonal employment for young people, thus tackling the problem that producers have in finding seasonal laborers.

Each local government administration should designate on its website a go-to person who is best-fitted at responding to investor inquiries.

CONNECTING DIASPORA COMMUNITIES TO LOCAL PRODUCTION AND SUPPLY

Government and private experts can develop a list of focus-areas that offer opportunities for production of a certain product or commodity. A thorough research on the competitiveness of the price, the scalability of the product and sustainability of the workforce should produce concrete figures that will be presented by economic promoters to select entrepreneurial diaspora audiences around the world.

The second phase of the program is for entrepreneurs to survey their local communities and find placement for the product or commodity. This should not be an all-or-nothing approach because the export markets for the products may be small in the beginning and may take time to grow. However, over time, the diaspora entrepreneur can focus on promoting the product and raising the import volumes for the product. The successful implementation of this program in a number of diaspora communities around the world can result in creation of jobs in Macedonia.
INTERACTION WITH THE BUREAUCRACY

Macedonians born or residing in the diaspora for a long time, have developed expectations regarding the quality of institutional service. The foremost expectations of expatriates is that their time will be respected by the Government. Many of the speakers at the Forum for Diaspora Investors decried the problem of having to go from one government body to another, in order to obtain required papers. This calls for a revision of the one-window (еднoshalterski) system and developing a new approach towards providing crucial information. Each administration employee needs to be able to cite a list of required documents for each and every instance. Investors from the diaspora find the administration overly bureaucratic, which deters them from visiting the country, let alone investing or planning to move back.

Lack of Municipal Support

Local municipalities seem to operate unsupervised, inefficiently or inadequately. Municipalities seem to operate unattached from the Federal Government, thus putting less pressure on them to perform their duties.

They need a more direct line to the Government (i.e. a municipality representative or group of representatives) in order to facilitate municipal and federal cooperation.

For business owners and investors, there is no clear channel to the Federal Government if Municipal Government is unable to help. There should be easily accessible channels for business owners to go through.

There is no agency at the municipal level to guide business owners in regards to laws, regulations, development, investments, funding, and so on.

Administrative workers do not want to take the responsibility of specifying which law and procedure is right for the business to follow. The government can make a list of issues that commonly receive different interpretations (based on an inquiry within the local municipalities) and provide their administration with the specific solutions in resolving such issues.

Laws on land

Cadasters of private and government ownership of land cannot expand old laws for the use of the land. Investors who want to purchase land face the challenge of multiple ownership.

Investors should be able to expand their property by purchasing or leasing adjacent tracts of land, which should be conditioned on either cultivating the land, landscaping or creating space for various workshops.

There are outdated laws in effect today that do not reflect the current situation or business landscape; an example: 1936 law stating that nothing can be built within 50 meters from the highest point of the (Prespa) lake. The measurement of the height of the lake was taken in 1936 and since has dramatically changed.

Labor laws
Yearly Bonus (13th Month Salary) for employees serves no purpose, as it does not protect employees against anything and only de-motivates them from improving performance in order to earn a bonus or raise that should be mandated by the employer, not the Government. (Merit based, not handed out).

**Inspection Regulations**

Inspections should be enforced, but they need to have a practical and pragmatic purpose. Enforcement should encourage employees and employers into proper business conduct and compliance with laws and regulations. Enforcement should not be simply punitive.

1. Example 1: A small business cannot expect to pay the same fine as a large, established (high earning) company; small companies are oftentimes forced to close the business after a fine.
2. Example 2: Employers should be required to have Standard Operating Procedures for every position (enforced by inspection) and in the case of an employee breaching a regulation (i.e. not giving a receipt), if the employer trained and informed the employee of SOP, the employer should not be penalized by Inspection for fault of employee.
   a. Too much burden is placed on the employer, with no personal or professional responsibility placed on the Employees (this gives the employees more incentive to not follow procedures since it may be more profitable for them to act illegally).

*The Forum's speakers cited the following expectations and difficulties regarding the bureaucracy:*

- Crucial documents related to investments need to be available in English and other major languages
- Laws and regulations are given different interpretation by different administrative employees and inspectors
- Each procedure should be explained in non-ambiguous writing, listing all of the necessary documents and where they can be obtained
- Transparent and effective system for escalating inquiries by investors
- Designating a go-to person for responding to investor inquiries
- Local municipalities seem to operate unsupervised by the National government
- Difficulties in obtaining residency permits, passports or citizenship
- Difficulties in obtaining working permits for foreign employees
- Need to create a class of temporary work permits for foreign employees
- Regulating driving privileges and issuing of permanent or temporary driving licenses
RECOMMENDATIONS BASED ON THE EXPERIENCE OF DIASPORA INVESTORS IN MACEDONIA

Health care

In order to attract investors who are going to make long-term and large-scale investments, the governing capacities in Macedonia must improve the health-care system. No investor would decide to move his or her family to Macedonia without the assurance of there being local or regional health-care facilities that offer western standards, as in high levels of cleanliness and hygiene; medical staff that has a friendly, caring and professional attitude; expeditive responsiveness; stocked with the fundamental medical inventory; etc. To reach a higher level of professionalism, medical staff should receive higher salaries and, furthermore, be inducted into a hierarchy of accountability.

Tourism

Macedonia needs to have a Ministry for Tourism which will set recommendations and act in developing its potential. The Agency for Promotion of Tourism should be located within the ministry and not in an office in Struga. There should be more budget for advertisement in potential markets and existing assets such as the 'Macedonia Timeless' videos need to be presented to audiences outside Macedonia. One of the major challenges to the success of tourism companies and their development of tourism capacities is that they cannot apply for bank loans. Subventions for the number of tourists that have been brought to the country are not granted to the agencies without a clear explanation.

Agri-business and organic produce

The Ministry of Agriculture in cooperation with the Ministry of Labor and Social Policy can cooperate towards enabling unemployed persons in rural areas to cultivate organic fruits, vegetables, teas and aromatic plants. Experts from the Ministry of Agriculture and from the national University can develop "starter kits" for growing a specific culture that thrives in a specific area. With a roster of producers, the "Rural Agri-Business Taskforce" can then broaden the cooperation by including non-government organizations, clusters, think tanks and accelerators in figuring out the most effective way of the placing products on the market. Alternatively a qualified company that will produce a packaged good based on the resource can be involved.

Agri-business accelerators

An independent agri-business accelerator will be tasked with locating a dynamic niche among producers in the sector and developing and executing a program for commercialization of the products. The accelerator will calculate the potential benefits producers will get by becoming part of the effort so as to get individuals onboard. With a solid roster, the accelerator will then link well-established domestic companies with agri-producers with the aim of substituting a percentage of the imported raw material in packaged products with domestic raw materials.
**Driving licenses**

The current way of obtaining a driving license puts off people from the diaspora from residing in Macedonia. People who have had their driving license for years or decades have to go through a very complicated and unclear bureaucratic process to have their license recognized. The process involves obtaining documents from the previous country of residence or citizenship, with unreasonable dates of validity. This consumes time and money and with that, energy.

The process can be facilitated by immediate recognition of documents which have been provided by authorities in a foreign country. The relevant authority should be able to receive a list of details that appear on a document enabling them to cross-check the authenticity of an identification card, drivers’ license or passport.

Another method of facilitating the process is for the relevant authority to provide a list of acceptable documents that can be provided by an applicant for the driving license to be recognized.

**Education**

In order to stay competitive in attracting new foreign investments, Macedonia needs to address the deficiency of technical skills in the workforce. Government in cooperation with Universities can create opportunities for reeducation of unemployed people.

Too much focus is placed on business, law and management. This has created a deficiency of technical skills such as in construction, metal-working, and machinery.

IT companies complain of a very limited labor supply of IT people.

**Business culture and communication**

Government should train employees in various ministries to be able to write an effective e-mail with a corresponding approach, style and manner. Employees in the administration must know how to “Reply All”, “Forward”, and “Carbon Copy”. Universities should include a mandatory course in Excel. The government should develop a case-based scenario with steps and pointers of how to properly receive and guide a potential client/investor, where the focus should be on building confidence in the capacity of the local administration.

**Transferring of construction know-how**

On each major construction site the Government should offer internship opportunities to students who will be on the site, observe, take notes and provide a summary paper that will be related to their discipline so as to complete their program successfully. This is a way to transfer know-how and inspire the next generation of architects.

**Accessibility of Funds/Loans**

It is nearly impossible to get substantial loans for business development even against assets (such as a mortgage, property, etc.). Long-Term, Low-Interest Business Loans do not exist in this country, these are crucial for the growth of young businesses where lots of capital investment is required.