



DOING BUSINESS

Doing Business in FYR Macedonia for Sustainable Employment and Growth

Overview

The Government of FYR Macedonia has been implementing an ambitious program to improve the business environment and attract a higher level of investments to stimulate employment and growth in the country. In addition, the path to European Union accession requires capacity to develop and implement an efficient regulatory environment, which would stimulate business entry, investment, and growth. The Business Environment Reform and Institutional Strengthening Project was designed to help build this capacity.

Challenges

FYR Macedonia is a small transition economy. In the early days of independence, the country experienced hyperinflation, border conflicts, and civil disturbances. In spite of the turmoil of the last decade, successive governments have embarked upon an ambitious reform program aimed at transforming the country into a market economy. State-owned and socially-owned enterprises have been privatized, markets liberalized, and reforms in the financial sector have led to a stronger and more viable banking system. At the same time, the Government has achieved and maintained macroeconomic stability.

Despite these achievements, the economy faces numerous challenges, such as a weak judicial sector, low competitiveness in an increasingly global market, slow materialization of foreign direct investments, and significant regulatory and institutional weaknesses that reduce investor confidence and affect the private sector's ability to compete. In addition, national Metrology, Standardization, Testing and Quality (MSTQ) system is outdated, which deprives the Macedonian enterprises of the appropriate means to control the quality of imported goods or to certify that the quality of their exported goods meets required standards.

Approach

The World Bank provided assistance with policy reforms and capacity building through a combination of complementary

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investment and policy lending. The Business Environment Reform and Institutional Strengthening (BERIS) project assisted the Government in implementing selected policy areas supported by a parallel series of Development Policy Loans. The BERIS was also closely linked with other related operations, such as for land and real estate registration and judicial reform, aimed at ensuring a better business environment.

web site

The project has focused on:

- Business Regulation – strengthening Government's capacity to establish and implement a business friendly regulatory regime by streamlining obsolete or cumbersome business regulation and the development of business friendly risk-based regulations;
- Metrology, Standards, Testing, and Quality (MSTQ) system – addressing the enterprise sector's difficulties in competing in domestic and foreign markets related to poor national metrology, standards, testing, and quality infrastructure and services;
- Enterprise and Industrial Policy and Competitiveness Support – strengthening the Government's capacity to implement a European Union-compliant industrial policy, as well as enterprise competitiveness support, and competition regimes;
- Access to Information – addressing poor access to information which results in increased transaction costs and/or impedes sound investment decisions.

Results

The project has made substantial progress toward achieving its development objectives.

“Over the past five years since the beginning of the BERIS Project, we accomplished notable improvements in the business environment by considerably simplifying and streamlining the regulatory environment for opening, operating and closing a business,” said **Sylvie Bossoutrot, leader of the World Bank project team**. “It also succeeded in reducing red tape through the ‘guillotine’ of existing cumbersome and outdated regulations, and the introduction of a modern risk-based approach to new regulation through the mandatory use of a systematic cost-benefit analysis of all new legislation, also known as a Regulatory Impact Assessment. This has already led to – and will further translate into – significant reductions in the cost of doing business. In addition, Macedonia started to upgrade its quality infrastructure and access to business information, which are likewise critical elements for the development of a vibrant and competitive enterprise sector. In doing so, Macedonia has moved closer to EU standards and increased the attractiveness of its marketplace to private investment. The BERIS Project team is pleased with these accomplishments and proud of the World Bank's contribution to the reform agenda. Macedonia's excellent performance was also very importantly recognized and reflected in both the Doing Business Report 2010 and the Progress Report of the European Union.”

Specifically, the following results have been accomplished:

- Investor protection was strengthened and the Company Law was revised in line with the European Union requirements.
- To reduce red tape, Regulatory Impact Assessments were carried out for over 100 new laws and by-laws, and 56 laws and 481 by-laws were streamlined by the ‘Regulatory Guillotine’.
- The Strategy for Industrial Policy 2009-2010 was developed and adopted by the Government, in line with the EU *acquis communautaires* (Chapter 20).
- Business registration has been simplified and shortened to one day through the creation of a one-stop-shop at the Central Registry, and an interconnection is operational with the Employment Agency and social funds (health and pension insurance). A Disaster Recovery System was implemented providing back-up of all business registration data of the Central Registry.
- The One-Stop-Shop Phase 2, under implementation, will establish electronic registration of businesses, employees, as well as leasing, pledge, and bankruptcy registries.
- New calibration equipment for the Bureau of Metrology will broaden the calibration services to companies in line with EU requirements and quality standards and will increase their export potential and competitiveness.

FYR Macedonia's progress in the reforms in the business environment was assessed positively in the 2009 Progress Report of the European Union (released in October 2009), noting specifically good progress in the areas addressed by the Project. Also, in the Doing Business Report 2010, FYR Macedonia was the top third reformer globally, moving up from 69th to 32nd

place on the ease of doing business, with significant progress in seven out of ten reform areas as measured by the Report.

“The last few years have been difficult for the private sector because we had to cope with the consequences of the global financial crisis,” said **Maja Dimitirevska, businesswoman from Skopje**. “But, at the same time, doing business has never been easier. A large part of the paperwork is gone, and I can do most of it from my office.”

Towards the Future

The World Bank will continue to support Macedonia on its economic growth path and accession to the European Union. World Bank support will focus on continued improvements in the business regulatory environment and enterprise competitiveness, notably through assistance in “green” growth initiatives, strengthening of the country’s innovation system, investments in infrastructure, and by helping leverage other international donor resources through its recently adopted Program Based Approach in the area of business environment, competitiveness, and innovation.