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Statement by the Hon. **NIKOLA POPOVSKI**,  
Governor of the Bank for the **FORMER YUGOSLAV**  
**REPUBLIC OF MACEDONIA**,  
at the Joint Annual Discussion



**Statement by the Hon. Nikola Popovski  
Governor of the Bank for the Former Yugoslav Republic of Macedonia  
at the Joint Annual Discussion**

Respectable Ladies and Gentlemen,

It is my honour to be offered the possibility to participate in the Annual Meetings of the International Monetary Fund and the World Bank, together with all of you. I would like to avail myself of this opportunity to express gratitude to both the International Monetary Fund and the World Bank for the so-far cooperation and financial support these institutions have extended to Macedonia.

Macedonia, during the last decade and a half, experienced difficult, long-lasting process of economic and political reforms, aimed at building modern democratic society with developed system of market economy.

**Current Situation in the Macedonian Economy**

Following the stagnation, the Macedonian economy stabilized in 2003 and realized GDP growth of 3.2%, with low inflation rate of 1.2%, being certain signal of the end of the adverse shock in the economy and return of the economic activity on track. These macroeconomic indicators in 2003 were realized by notable reduction of central government budget deficit from 5.6% to 1.1% of GDP, supported by disciplined monetary policy constantly in correlation with the fiscal one. Although the country managed to successfully stabilize in macroeconomic point of view, still there are additional challenges in the macro-economy, such as the high deficit in the BOP and the high unemployment rate, remaining to be one of the main challenges in the economic policy in the forthcoming period.

During the past period, we have been all assured that Macedonia has the capacity to surpass the problems and **the existing reform path has never been abandoned**.

Macroeconomic indicators during this year as well show similar performance.

In 2005, the Government of the Republic of Macedonia will focus on the following strategic priorities:

- Further steps for integration of Macedonia in the EU;
- Completion of the preparations for membership of Macedonia in NATO;
- Implementation of the obligations arising from the Framework Agreement;
- Government decentralization and development of local government;
- Judiciary reform;
- Further strengthening of the combat against organized crime and corruption;
- Accelerating the economic development and stimulating domestic, and attracting, foreign investments;
- Strengthening the market model of running the economy and reducing unemployment and poverty.

### **Relations with the IMF and the World Bank**

We will also continue to implement the policy of maintaining monetary and fiscal balance.

- Further maintaining the price stability with inflation that would not exceed 3% and stability of Denar foreign exchange rate in relation to the Euro;
- Realizing 4.5% real GDP growth in 2005;
- Continuing the policy of rational budget spending;
- Maintaining the level of external debt at less than 40%, with a tendency for medium-term reduction by 2%;
- Creating conditions for more aggressive investment policy, especially in the private sector, as well as improving the business environment in the country;
- Stimulating foreign investments by creating modern, open and competitive economy;
- Constant employment increase on annual level by 1.5-2%.

Fiscal policy will support the efforts for approximation to the European Union, including managing the fiscal pressure arising from the implementation of the transition reforms and the decentralization processes.

In the forthcoming period, the Republic of Macedonia is strongly committed to continue the structural reforms, being important basis for **promotion** of the investment climate, aimed at realizing 4.5% economic growth and job creation. In 2004, supported by the World Bank, public administration reforms gained pace. To the end of attracting foreign direct investments, Government program will be supported by several World Bank projects. In the period to come, the transformation and privatization process of the public enterprises will be realized, mainly "Macedonian Railways" public enterprise, and "Electric Power Company of Macedonia", a joint stock company, owned by the state, where EBRD participates actively as well.

Macedonia, as **WTO member**, and taking into account the active **Stabilization and Association Agreement with the EU**, as well as the **free trade bilateral agreements** concluded with 9 other countries, has already reached an impressive level of **liberalized trade relations with the countries throughout the world**.

The Government of the Republic of Macedonia will continue to develop the relations with the International Monetary Fund and the World Bank, as partners in the implementation of credible macroeconomic policy and structural reforms program. Cooperation with the IMF will continue with the negotiations for concluding long-term arrangement, thus strengthening the reform and structural component of the existing economic and financial policies.

Cooperation with the World Bank is evolved within the three-year Country Assistance Strategy (2004-2006), whereby Macedonia has met the requirements for high-case

scenario, which the World Bank Board of Directors confirmed on 13<sup>th</sup> May 2004 and approved a package of three reform loans - Public Sector Management Adjustment Loan in the amount of US\$ 30 million, and two investment loans in the amount of US\$ 10 million each intended for health sector management support and support in implementation of the social protection and pension reforms.

Honourable Ladies and Gentlemen,

We are aware that on its development path, the Republic of Macedonia will face many temptations and serious challenges. Nevertheless, we have a clear vision for the future of our country and we are committed to work hard towards realizing the priority objectives. We want a peaceful region, region integrated in the EU and therefore we expect that both the IMF and the World Bank will extend full support in attaining this goal.

I would like to assure you that we will continue making efforts for building ever stronger mutual cooperation.

Thank you.