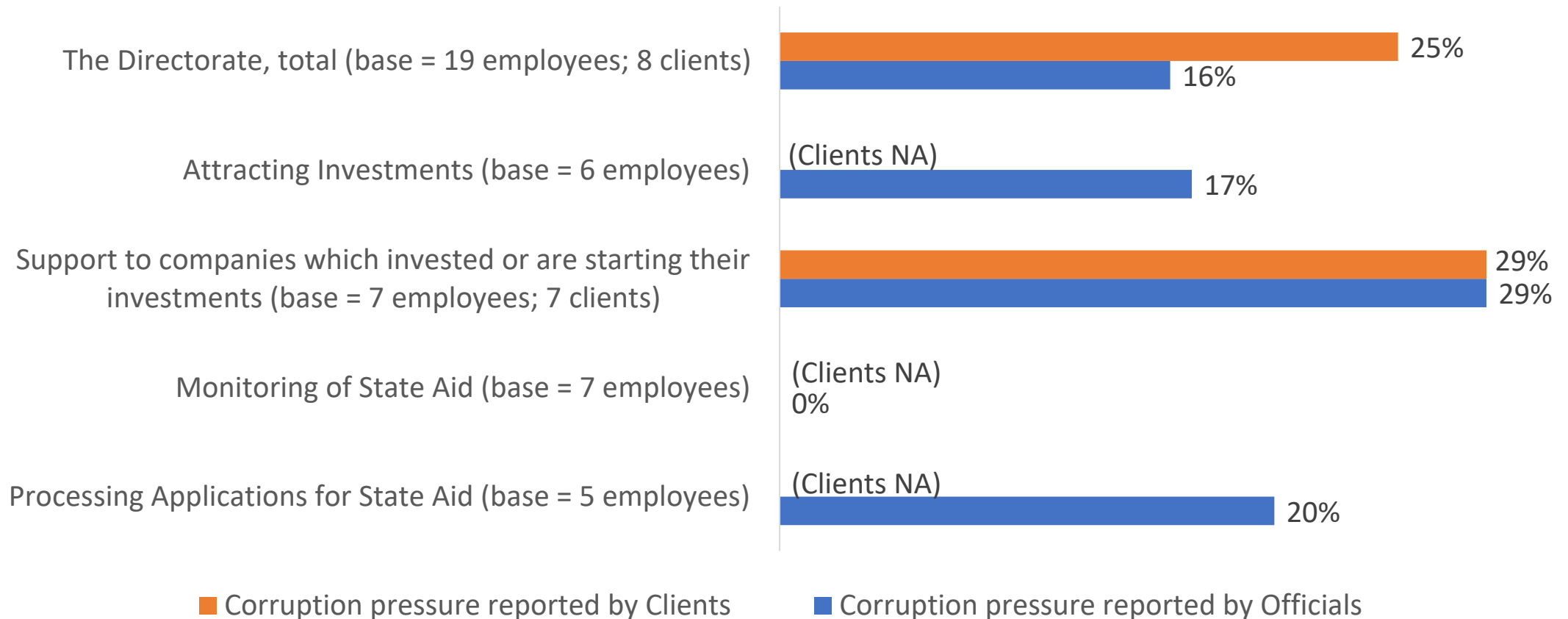


# Preventing Corrosive Capital entry in North Macedonia

# Background

- Economic development largely dependent on FDIs – (leverage)
- State-aid instrumental in motivating FDIs
- Weak anti-corruption/competition institutional setup
- Attempts to make FDI attraction more transparent – new legislation/schemes – but parallel legislation provided loopholes
- No single registry of state-aid – it was put into government's 2021 plan two days ago

# MACPI: Corruption pressure in the Directorate: accounts from Clients and Employees



# Coverage of anti-corruption policies for the analyzed activities. Officials' ratings

Policies/Activities	1. Processing Applications for State Aid	2. Decision making about State Aid	3. Monitoring of State Aid	4. Reporting on State Aid (to the Commission for Protection of Competition)	5. Support to companies which invested or are starting their investments	6. Attracting Investments	7. Recruitment and promotion of staff
1. Checkup of the documentation of the applicants for investments, including ultimate beneficial ownership and financial fitness of investor and investment	56%	89%	56%	33%	44%	56%	22%
2. Check up for prevention against companies under international sanctions	100%	75%	50%	0%	25%	0%	0%
3. Check up for risk of distorting business competition	40%	60%	60%	40%	40%	20%	0%
4. Check up for potential conflict of interests and asset declarations of the employees involved in processing of application for state aid; verifying documentation, reporting and monitoring of aid to investments	43%	71%	43%	14%	57%	29%	57%
5. Verification of the submitted documentation from companies for requests of state aid	80%	80%	60%	40%	20%	20%	10%
6. Approval of the reports on individual investors and claims (requests for payment) for state aid, and yearly reports on investments (prepared by DTIDZ for the individual companies) by more than one employee by vertical hierarchy	57%	57%	86%	71%	43%	29%	29%
7. Internal reporting for the communication established with the companies regarding future investment and state aid, including justifications for the choice of the companies	75%	50%	38%	25%	50%	75%	13%
8. Keeping a register of gifts from companies and keeping evidence for gifts	25%	50%	25%	0%	25%	75%	25%
<b>9. Procedures for protection of the prohibition of promotion of new investments during the time of elections</b>	31%	46%	8%	0%	15%	39%	23%

# Issues

- Due diligence / risk assessment is rudimentary
  - The MACPI analysis revealed that check-ups for ultimate beneficial ownership and checking up on the financial fitness of investors is a rather difficult procedure to implement. Furthermore, the actual policy seems to be assessed as less effective in tackling corruption
- Attracting investments is covered by anti-corruption procedures which are averagely effective (MACPI)

# Tackling corrosive capital

- Vetting of potential investors must involve law enforcement and intelligence
  - This includes due diligence, beneficial ownership checks and past history
  - The government should incentivize investors with proven internal integrity policies
- Attracting investments should be left to larger institutions which can provide internal checks and balances throughout the process. Involvement of political figures (reaping the political fruits) should be left after all the vetting has completed