



Republic of North Macedonia

THE NORTH MACEDONIA FREE ZONES AUTHORITY

Strategic Green Investment Fund (SGIF)

- way forward to financing infrastructure and investments

TIDZ New concept for Government support to FDIs (and domestic investors) within the zones

New approach in analysing and preparing state aid scheme is now introduced, focusing on returns to the investment support provided by the Government.

Individualized approach to investors', based on analysis of returns **is expected to generate more “high-quality” investments** vs. those that rely heavily of cheap labour and Government subsidies.

On mid-term, it can be expected that **Government support schemes to investments provide larger % of cash paid earlier in the process**, with investors' agreeing to accumulate assistance below limits of 50% of eligible investment costs, applied within current (past) approach in FDI attracting policy.

Objectives

Facilitate

Facilitate private sector financing for a transition to a modern, resource-efficient and competitive economy where there are **no net GHG emissions by 2050** and where economic growth is decoupled from resource use

Improve

Improve North Macedonia's compliance with the **Sofia Declaration on green agenda** for Western Balkans of 2020 and the requirements of the EGD

Reduce

Reduce the **fiscal burden on the government** and create a **fund** that will have a **multiplier effect** in terms of crowding in private financing

Accelerate

Facilitate **accelerated economic growth** by attracting foreign and domestic **investors in "clean" industries** and **creating jobs**

Structure of the new initiatives 1/2

TIDZ introduces **II new pillars** of new instruments to support investors', such as:

- **#Promoting Green Investments into North Macedonia**, including following components:
 - **Energy** (new infrastructure within the zones + connecting lines to access points to main lines in the country)
 - **Transport** (new infrastructure within the zones + connecting lines to access points to main road/rail lines in the country)
 - **Services** (new infrastructure within and beyond zones, to allow for access to services needed – such as accommodation facilities for foreign and/or workers coming from within the country, education and primary health facilities)
 - **Other** (specific to the need of the investors, including build and lease options for investors)
- **#SDP - Enhancing technological readiness of domestic companies to enter global value chains**

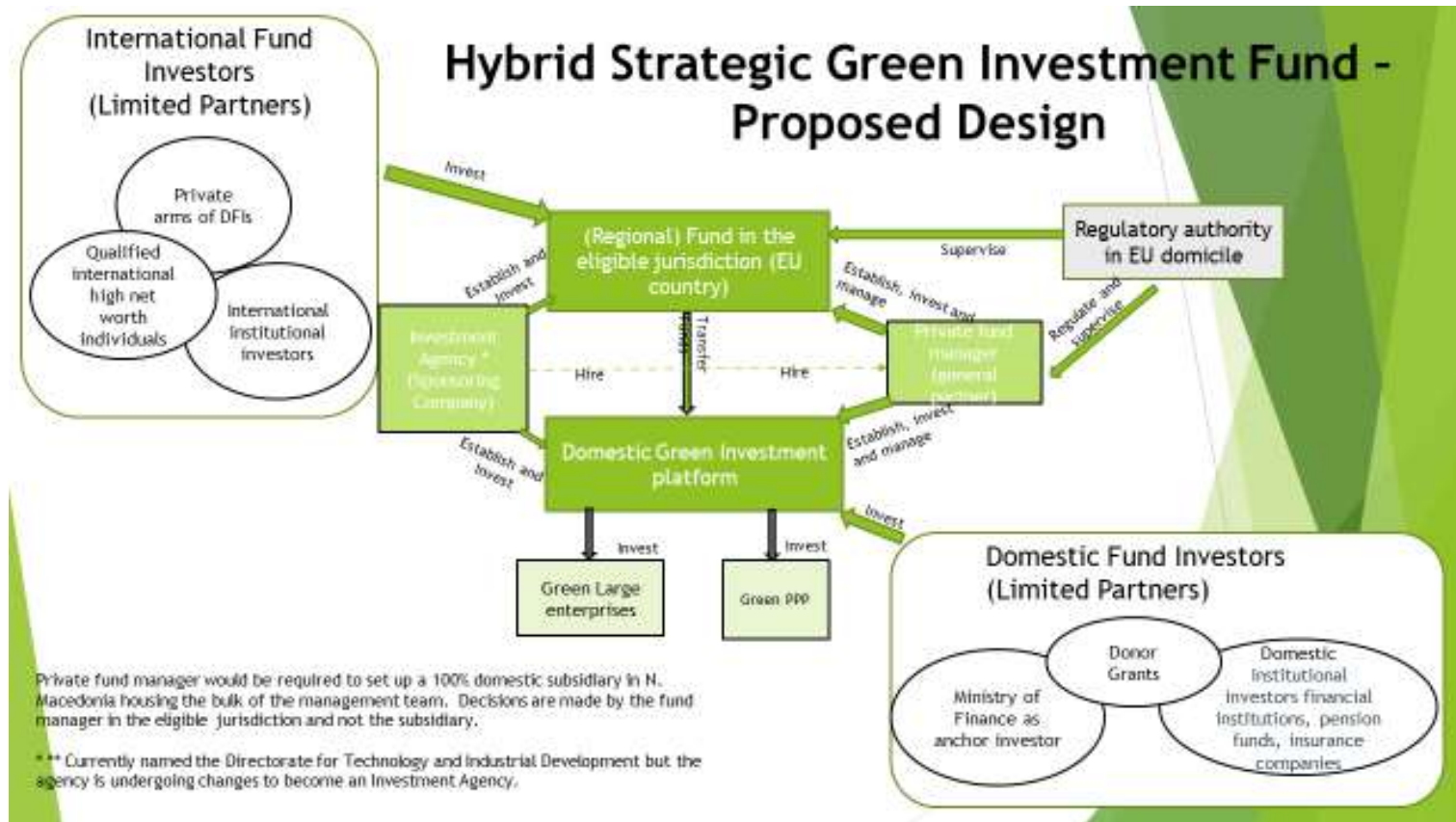
Structure of the new initiatives 2/2

- **Conservative analysis** for these two main pillars **are estimated to generate up to 750 mil EUR in total investments for the period to 2025/6.**
- **With applied 25% rate of SGIF equity into financing** (Budget + IFIs + institutional impact investors + private equity), **the volume of SGIF funding** to these programmes should be calculated for **up to 150 mil EUR.**

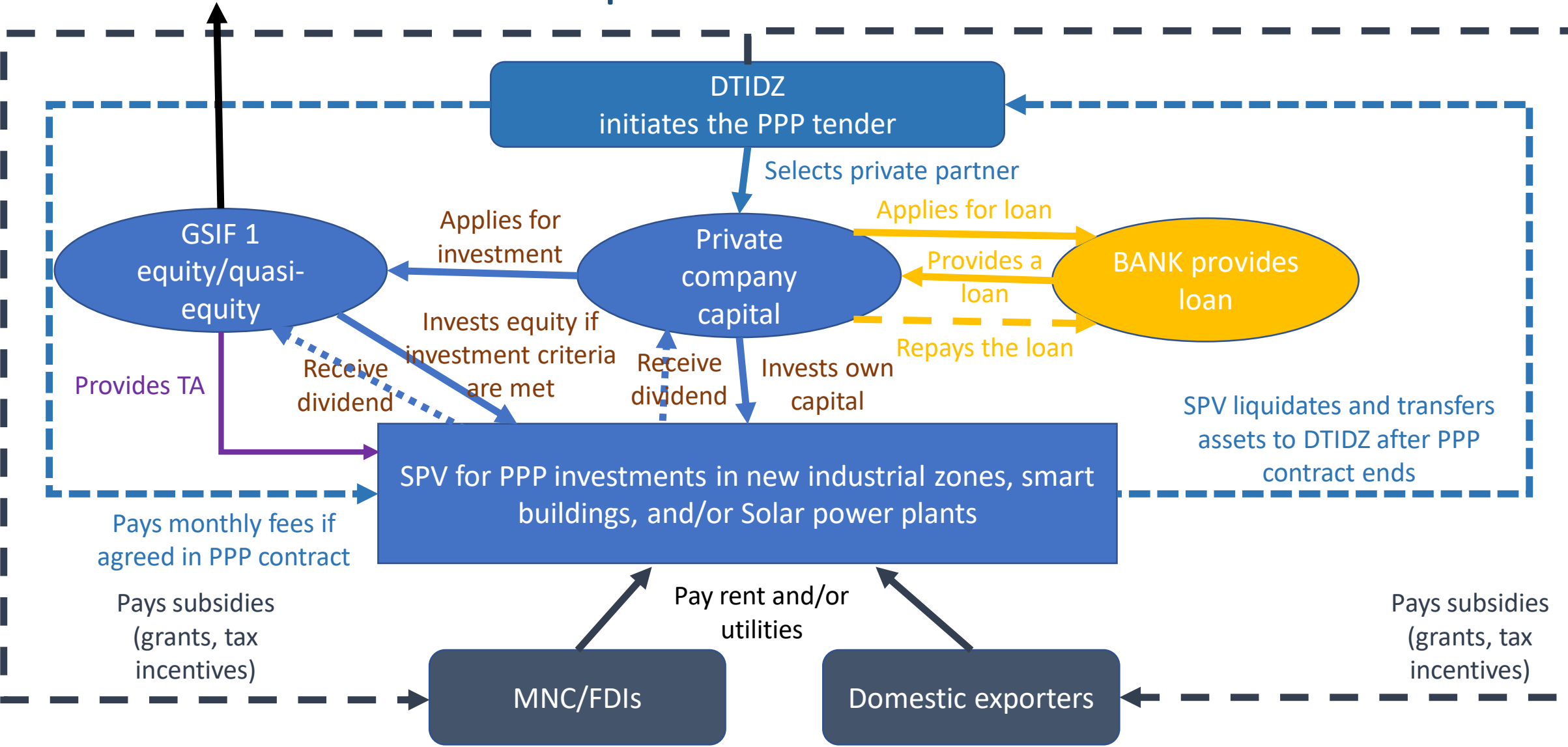
Structure and returns

- **Government (DTIDZ), IFIs, private finances sector** (banks, equity funds, individuals)
- **The vehicle issues shares to all holders**, on the basis of contribution within the pool of funds
- **Funding will be returned by means of lease, royalty and other basis**
- **Private investors get priority shares** i.e. get paid first, upon completion of investment and payment of royalty period (during and after in ends)
- **Private investors shall get priority level of returns (50 to 75%)**. Once this level is reached, the returns are split according to % of contribution (shares) in the vehicle

Financing model



Investment Scenario : Investment process for Green PPPs



Exits before SPV liquidates by selling share to third party (or other owners)

DTIDZ initiates the PPP tender

Selects private partner

GSIF 1 equity/quasi-equity

Private company capital

BANK provides loan

SPV for PPP investments in new industrial zones, smart buildings, and/or Solar power plants

MNC/FDIs

Domestic exporters

SPV liquidates and transfers assets to DTIDZ after PPP contract ends

Key projects to be subject of financing through the proposed model 1/3

Promoting green investments into TIDZs (green buildings)	Total investment (in EUR)	Start date/Period
- One facility for known foreign investor (in final phase of discussion):	15 mil	Q4 2021
- One facility for known foreign investor (in early stage of discussion):	5 mil	Q1 2022
- 4-6 facilities for potential investors in TIDZs Skopje, Stip and Prilep	35 – 50 mil	2022-2023

Key projects to be subject of financing through the proposed model 2/3

Promoting use of green technologies into TIDZ	Total investment (in EUR)	Start date/Period
- 4-6 projects (ratio between building and technology applied 1:3)	105 – 150 mil	2022-2024

Key projects to be subject of financing through the proposed model 3/3

Investments into green infrastructure	Total investment (in EUR)	Start date/Period
- Investments in photovoltaic power plants (FS to be completed by end of 2021)	Tbd	2022-2023
- Investments in gas supply in TIDZs Tetovo, Stip, Prilep and Struga	Tbd	2022-2023
- Other infrastructure to / within TIDZs and new industrial parks	125 – 150 mil	2022-2025

Expected impact

- Based on analysis of the impact on economy of current investments into TIDZ, with current structure, quality and numbers achieved in the past decade, the expected impact of the new initiatives can be presented as follows:
- **0,75 bn EUR new investments** materialized in the period **to 2025**
- **15.000 new jobs** created **to 2025**
- Up to **2.8 bn EUR of exports** (annually) added to existing levels
- **20 – 25 mil EUR net income** in the state Budget (annual) (contributions – state aid)
- **The numbers can be revised upwards, in view of the fact that those are based on existing structure (and thus quality) of investments in TIDZ.*



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THANK YOU