



EMN Legislative Mapping Report

NORTH MACEDONIA

December 2019



This series of national factsheets provides a snapshot of the various legislative frameworks concerning the provision of microcredit in Europe by non-bank financial intermediaries.

The national factsheets cover the following thematic areas:

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- 2 Supervisory framework for non-bank lending
- 3 Products
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- 5 Development of existing framework for non-bank microcredit provision
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1

Regulation of Lending Activity

Although there is no specific regulation for microcredit provision in North Macedonia, a variety of non-bank MFIs operate in the sector such as associations, foundations, saving houses and financial companies.

The Banking law regulates the savings houses as deposit-taking NBFIs and defines specific limits regarding their capital adequacy and reserves.

The law on associations and foundations, together with the law on obligations, is the legislative grounding for non-deposit taking, civil society microfinance organisations.

Finally, the law on financial companies regulates licensed "Financial Companies" as the third possible type of microfinance provider and prescribes an active portfolio limit of ten times the value of the capital and reserves.

2

Supervisory Framework for Non-Bank Lending

The Central Bank supervises the savings houses, which need to adhere with the Banking law in all aspects of performance and compliance: security, capital and liquidity requirements, mandatory reporting, transparency, loan terms, internal control systems, audit, etc.

Associations and foundations are not subject to direct supervision.

The Ministry of Finance supervises the financial companies and performs scheduled and unscheduled inspections.

The National Credit Bureau is a private entity where membership is not obligatory; however, once a non-bank MFI becomes a member, it is obliged to share data with the bureau. There is no legal obligation for any microfinance provider to share data with the bureau.

3

Products

Non-bank MFIs are allowed to disburse business and personal microloans. Loans are not limited by loan size but are subject to the internal policy of the non-bank MFI. The interest rate cap for all loans is set at 8% and 10% above the reference interest rate for personal and business loans respectively. The reference rate is set by the National Bank of the Republic of North Macedonia and is subject to adjustment every six months.

4

Incentives and Support

In North Macedonia, the Macedonian Enterprise Development Foundation and the Macedonian Bank for Development Promotion offer funds to support the provision of microcredit, while there are no incentive support instruments available in the form of tax deductions for natural persons that provide financial support to microcredit providers.

5

Development of the Existing Framework for Non-Bank Microcredit Provision

The Alliance of Microfinance Organizations is making efforts to improve legislation since there is no specific microfinance law, and legislation currently varies according to the type of organisation rather than the business activity. The obligations for savings houses under the Banking law are un-proportionally extensive and require significant resources, which increase the cost of business. The legislative efforts of the Alliance focus on the liberalisation of payments services reform to enable all non-bank lenders to become licensed payment service operators, as well as the improvement of the Data Protection Law to appropriately regulate the operations of the non-bank financial intermediaries and to be in accordance with the nature and size of the business and other issues of interest to microfinance providers.

6

Inclusive Entrepreneurship and Microenterprise Development

In the Macedonian context, there are no simplified administrative procedures or significant publicly subsidized business development services (BDS) for micro-entrepreneurs. Limited support programs are implemented by the Ministry of Economy, but these programs do not represent a favorable environment of assistance at the required scale. In addition to the existing mandatory welfare bridge to support unemployed people in the transition towards self-employment, the State provides assistance programs through the Employment Agency's active employment measures. Financial assistance for micro-enterprises is also provided through the Innovation and Technological Development Fund. Furthermore, entrepreneurship education is part of the curricula of secondary education and the State provides awareness initiatives and promotes inclusive entrepreneurship through the Employment



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