



GOVERNMENT OF
THE REPUBLIC OF MACEDONIA

NATIONAL PROGRAMME FOR ADOPTION OF THE ACQUIS COMMUNAUTAIRE

- REVISION 2008 -

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INTRODUCTION

In 2007 the Government of the Republic of Macedonia adopted the National Programme for Adoption of the Acquis Communautaire (NPAA).

The first revision of the NPAA - the 2008 revision - began when the Progress Report on the Republic of Macedonia in the accession process for 2007, as well as the Draft Accession Partnership was published in November, 2007. The revised NPAA 2008 was approved by the Government on 4 March 2008. A separate plan - Measures and Actions for implementation of the benchmarks (the key priorities of the Accession Partnership) was also approved by the Government and endorsed by the Council for Euro-integration of the Assembly of the Republic of Macedonia.

The methodology of the revision of the document has not been changed; it comprises the plans for harmonisation of the national legislation with the EU legislation, the necessary dynamics of the institutional strengthening for implementation of the legislation, as well as the necessary resources.

The revision of the NPAA focused on further in-debt analysis of the *acquis communautaire* and its relation to the national legislation, using the experience of the countries that underwent the screening process. A further effort was made to enhance links and consistency of the NPAA planning with the strategic planning process, budget planning and planning of foreign aid. In technical terms, the revision was supported by a specially designed web application, which allowed further upgrading of the databases related to the accession process.

The entire EU integration institutional structure, based on the working groups for each chapter of the *acquis communautaire*, including the political and economic criteria, comprised of representatives from the ministries and the other state administrative bodies and institutions, as well as stakeholders, was involved in the revision of the document.

During the revision of the NPAA, and specifically setting the short-term and long-term priority goals and activities, the following were taken into account:

- The findings of the European Commission Progress Report for the Republic of Macedonia 2007 in the EU accession process
- The priorities set in the Council Decision on the principles, priorities and conditions contained in the Accession Partnership with the Republic of Macedonia
- The Work Programme of the Government of the Republic of Macedonia (2006-2010)
- The strategic plans of the ministries
- The Budget of the Republic of Macedonia for year 2008
- The current and planned projects for foreign assistance

The Programme's content follows the structure of the Copenhagen and the Madrid criteria, i.e. comprises the following parts:

- Political criteria
- Economic criteria
- Ability to assume the obligations for membership
- Administrative capacity
- Preparation of the National Version of Acquis Communautaire
- Public communication

The structure of the Programme is divided in a narrative and a tabular part (annexes).

The narrative part presents the current situation of all chapters (with focus on the changed circumstances in comparison to NPAA 2007), as well as the short-term (2008) and medium-term (2009-2010) key priorities and tasks on legislative and institutional level.

The tabular part is divided into three attachments:

Annex 1: Overview of national legal acts subject to harmonisation with EU legislation (with the relevant EU measures to be transposed), with terms for adoption and responsible institutions;

Annex 2: Institutional strengthening;

Annex 3: Budget funds.

The Programme has been conceptualised based on January 1, 2008 as the starting date for implementation of the planned activities.

The implementation of the Programme will be closely and regularly monitored through the established and further developed mechanisms.

The Secretariat for European Affairs will be reporting to the Government of the Republic of Macedonia, the Committee for European Affairs within the Assembly of the Republic of Macedonia, the Council for European Integration and the competent services of the European Commission, on the status of implementation of the Programme on a regular basis.

1 POLITICAL CRITERIA

1.1 DEMOCRACY AND RULE OF LAW

1.1.1 ASSEMBLY

The objectives and measures of the Action Plan, focused on strengthening the role of the Assembly of the Republic of Macedonia have been agreed. The defined objectives encompass the following: promotion of the role of the Assembly and MPs, strengthening the Assembly resources, more efficient legislative and control mechanism, improved financial autonomy of the Assembly, promoted planning and organisation of the Assembly's operations, higher level of transparency and accountability and more efficient Rules of Procedure. The implementation of the agreed measures for accomplishing the defined objectives will be completed in full and continuous consultation and coordination of the political groups.

The consensus, as well as the structures for European integration in the Assembly have been reinforced following the unanimous adoption of the Resolution on the Accession Priorities and Establishing of the National Council for European Integration presided by the chief of the parliamentary opposition and through inclusion of the civil sector. The National Council, in addition to the permanent Commission of European Affairs, will contribute to high level of consensus related to the major reforms required for fulfilling the necessary steps by the country in 2008 in view of launching EU accession negotiations.

The role of the Assembly in programming, realisation and control of the accomplishment of the National Programme for Adoption of Acquis Communautaire will be further strengthened, based on the consensus on the priorities of the accession process.

The recently adopted Law on the Committee for Relations between Communities (Official Gazette of the Republic of Macedonia No. 150/07) and intensified Committee work will contribute to strengthening the interethnic confidence and consistent application of the Badintaire double majority.

In 2008 the Electoral Code will be amended with the purpose of overcoming the inconsistencies determined in view of defining the election campaign and it's funding, specifying the provisions for protection of the right to vote, enhancing the election process as well as adjusting the misdemeanour provisions. Full transfer of the competence related to the Voter's List and the record of the right to vote to the State Election Commission is planned. Regulation of the manner and procedure of voting of the nationals of the Republic of Macedonia who are temporary employed and reside abroad has been envisaged.

In the first quarter of 2008, members of the Constitutional Court of the Republic of Macedonia (vacant positions) will be in elected.

1.1.2 GOVERNMENT

The system of permanent consultations and cooperation between the Government and the President of the Republic of Macedonia will continue and strengthen in terms of accomplishing their constitutional functions.

The Government will continue to intensively implement the Work Programme and the defined strategic priorities for 2008 in accordance with the Decision on Determining the Strategic Priorities of the Government for 2008 (Official Gazette of the Republic of Macedonia No. 82/07): increasing employment and improvement of the citizen's living standard, obtaining full-fledged membership of the Republic of Macedonia in NATO; continuation of the activities for start the negotiations for membership of the Republic of Macedonia in the EU.

Implementation of the decentralisation will continue in accordance with the Programme for Decentralisation and the Action Plan for Implementation of the Programme for Decentralisation 2008-2010. The Programme and the Action Plan are focused on the improvement of the conditions for realisation of already transferred competences, as well as the transfer of the remaining competences. In addition to continuation of the fiscal decentralisation, building the municipality capacities, preparation of the municipalities for EU accession and enhancing the conditions for inter-municipal cooperation, the Programme also envisages regular public communication, as well as appropriate supervision and monitoring of the execution of all transferred competences. Assistance to the municipalities that have not qualified for the second phase of the fiscal decentralisation is among the priorities of the Programme. An important aspect of the Programme is to introduce minimum service standards and to adjust the sufficient resources for their delivery to the citizens, foreseeing assessment and analysis of the fiscal capacity of each of the municipalities on short-term. The adopted programme documents also envisage measures for building municipality capacities relating to state-owned land management. The decentralisation process will be realised in full cooperation between the Government and the Association of the Units of the Local Self-Government of the Republic of Macedonia (ZELS).

1.1.3 PUBLIC ADMINISTRATION

Priority of the public administration reform is full implementation of the Law on Civil Servants (LCS) in all its aspects, strengthening the merit-based promotion system, as well as introducing a coordinated system of continuous training.

In this direction, the working posts system will be consistently implemented, as incorporated in the existing LCS, according to which a single manner of career promotion is based on a public announcement for entry on all levels, on which already employed civil servants may apply.

In 2008, the application of Chapter IV of the LCS "System of salaries and salary compensations of civil servants" is envisaged, to ensure the application of the extraordinary salary component, which enables career allowance thereby evaluating the civil servant's professionalism. In order for the application to become operational, a Manual for Application of Chapter IV of the LCS will be drafted, and the Ministry of Finance will make assessment on the provision of funds.

The civil servants will be timely and fully evaluated in accordance with the appropriate Rulebook on civil servants adopted by the Civil Servants Agency, whereas the weaknesses identified in the Analysis on the implemented evaluation process in 2006 will be overcome.

In the aim of ensuring consistent implementation of the Law on Civil Servants, the Civil Servant Agency will carry out the employment procedures and give consent on the acts for systematisation and internal organisation pursuant to the adopted decrees on the principles of internal organisation of the state administrative bodies and on the description of the civil servant's titles and it will notify on the decision taken by the CSA Second-instance Commission for complaints of civil servants.

With regard to effective implementation of the Code of Ethics for civil servants, the Civil Servants Agency will notify on the number and outcome of initiated disciplinary procedures against civil servants and introduce an obligation to deliver a copy of the Code of Ethics to a civil servant at his/her employment.

Furthermore, the procedures for selection and employment of civil servants will be improved by their simplifying, upgrading of the software for electronic application and processing of the employment application forms, improving the communication with the candidates for civil servants.

During 2008, preparation of the Analysis of the Law on Civil Servants has been envisaged aimed at detecting the weaknesses related to the application of the Law and defining the issues to be further regulated or regulated in a different manner.

In the third quarter of 2008, the Strategy for Civil Servants Training will be adopted, which will establish a coordinated system for continuous education of civil servants. The obligations for delivery of data on the civil servants will be consistently applied (which include training) prescribed by the CSA, necessary for provision of updated data in the single Register of Civil Servants and connection of the F-1 database for salaries of the Ministry of Finance with the CSA Register of Civil Servants. (See: Chapter IV Administrative Capacities).

The capacity of the Civil Servants Agency will be strengthened in order to ensure successful implementation of the above mentioned measures. In addition, continuous cooperation and exchange of information will be ensured between the Ministry of Finance and the Civil Servant Agency. (See: Chapter IV Administrative Capacities).

Establishing and strengthening the units for human resource development will be a priority, whose founding is compulsory pursuant to the Decree on Internal Organisation of the State Administrative Bodies, and the activities of already established network of units for human resources will also be developed. A special programme for training of the staff of these units will be realised. (See: Chapter IV Administrative Capacities).

In addition to the corpus of civil servants, regulation of single grounds for the status and conditions for employment of public servants will commence.

Further strengthening of the capacities for strategic planning will continue in the ministries and other state administrative bodies. Following the successful implementation of the process for strategic planning for 2007, when all ministries adopted strategic plans in line with a single methodology, further promotion of the process is planned through enhancing the planning methodology and improving the training. Further harmonisation of the processes for strategic and budgetary planning and the National Programme for Adoption of the Acquis Communautaire will be realised through establishing a coordination mechanism, by improving the planning and monitoring tools. (See: Chapter IV Administrative Capacities).

The Strategy and Action Plan, adopted in 2007, for cooperation between the Government and the civil sector will be realised. The Strategy and the Plan contain detailed measures and activities classified in line with the following strategic goals: upgrading the legal framework, participation of the civil sector in policy-making, accomplishing inter-institutional and inter-ministerial cooperation, inclusion of the civil sector in the EU integration process, creating conditions for financial sustainability and permanent development of the civil sector. According to the Strategy, the Government has adopted the Code of Good Practices for financial support of associations of citizens and foundations, as a basis for transparent funding of non-governmental organisations' projects by the Government. According to the Action Plan, a new Law on Associations of Citizens and Foundations will be adopted.

For the purpose of promotion of the system for consultation of the interested parties in the preparation of the legislation, the Rules of Procedure of the Government will be amended with the obligation for the draft laws to be available to the public through the ministries' web-sites.

The concept e-government will continue to be realised through a number of projects. (See: Chapter IV Administrative Capacities).

The implementation of the system for quarterly review of the reports on acting upon the statements and recommendations provided by the Ombudsman to the Government, ministries and Government commissions for settling second-instance administrative procedures for the purpose of ensuring full responsibility of the state administrative bodies will continue. The mechanism Citizens' Log will be implemented for the purpose of monitoring the accomplishment of the state's functions towards the citizens.

In order to provide full implementation of the Law on Free Access to Public Information, in addition to strengthening of the Commission's capacities, it is envisaged to intensify the training on the implementation of the Law. The Commission will also realise a Programme for Cooperation with the local self-government units.

Adoption of the Law on Action upon Complaints and Appeals is envisaged in the context of implementation of the amended concept of judicial protection from the administrative acts of the executive power.

Following the introduction of a new organisational structure in the police, the implementation of the Strategy and the Action Plan for police reform has undergone high level of realisation; progress has been accomplished in the police deconcentration, by establishing eight sectors for internal affairs.

The Law on Police commenced its implementation on 11 November 2007. Of 64 envisaged bylaws deriving from the Law on Police, 7 remain to be adopted which is planned at the beginning of 2008. For the purpose of implementation of the most important bylaw – Rulebook on performing police tasks (adopted in November 2007) a special plan for dissemination and training is being realised, according to which, by the end of June 2008 all police officers will be encompassed. At the same time, the Ministry of Interior (MI) will publish brochures, in which the provisions of the Law on Police, the Rulebook on performing police tasks and the remaining laws and bylaws that regulate police performance will be elaborated.

By the end of May 2008, the procedure for selection of the remaining 16 commanders of police stations of general competence (so far 22 commanders have been selected) is envisaged to be completed. Special training has been planned on leadership and management for the new appointed commanders and their assistants according to an already prepared programme.

According to the objectives and priorities defined in the Strategic Plan for 2008-2010, in the course of 2008 the capacities of the new established Unit for Human Resources Management within the MI will be strengthened, which in coordination with the responsible organisational units in the Ministry will draft Strategy for Human Resources Management and Training of the Police in the first half of 2008. Furthermore, the Sector for Organisation, Strategic Planning and Development of the Police was established, with its main task to strengthen the support function in the police reforms in accordance with the European standards and best practices. The establishment of a special organisational unit has been envisaged within the MI – Training Centre; thus transferring the continuous education of the employees in the Ministry from the Police Academy to the MI. For that purpose, amendments to the Law on Internal Affairs and the Law on Police Academy have been envisaged. The Centre will realise basic training to police officers, specialised training and training on management in the area of security (security management) of the employees in the MI on the basis of the curriculum and teaching programmes adopted by the MI. The training will be carried out in line with the Annual Plan for Training for 2008 (adopted in December 2007) which foresees basic and specialised training of the police and advanced and specialised training of the border police. Basic training to police officers will be carried out in line with the Programme for Basic Police Officer Training. According to the MI Strategic Plan, the Programme "Building Citizen – Police Partnership Relations" will be realised to contribute to further strengthening of the confidence between the police and the citizens as well as informing the citizens on the police service.

(See also: Chapter 24 Justice, Freedom and Security, section Police Cooperation and Fight against Organised Crime)

In order advanced implementation of the laws, increasing the supervision over inspection services and improvement of coordination, adoption of the Law on inspection supervision is foreseen, as well as a Rulebook on carrying out inspection by the Administrative Inspection. Strengthening the capacities of the Administrative Inspection will contribute for unifying the procedures and the practices of inspection supervision.

The Secretariat for European Affairs within the Government of the Republic of Macedonia will strengthen its central role in coordination of the policies aimed at EU integration, implementation of the National Programme for Adoption of the Acquis Communautaire, preparations for EU membership negotiations (in line with the Institutional Platform and principles for negotiations for membership of the Republic of Macedonia in the EU), implementation of the Stabilisation and Association Agreement as well as coordination of the EU pre-accession assistance and other foreign assistance. The established sectors for EU in the ministries will be further strengthened – through new employments, continuous training and promotion of the functioning of the network of EU sectors. The activities of the working groups for the National Programme for Adoption of the Acquis Communautaire and negotiating positions will be intensified, while special emphasis will be placed on the inclusion of interested parties. The harmonisation of the processes of strategic planning and budgeting, consistent with the accession priorities, to ensure timely and quality preparedness of the regulations for transposition of the acquis and meeting the priorities of the Accession Partnership, will be accomplished through the coordination established by the Secretariat for European Affairs, the General Secretariat of the Government and the Ministry of Finance. The database for the National Programme for Adoption of the Acquis Communautaire will be further made available to the public through the Secretariat's web-site, including the reports on the realisation of the National Programme for Adoption of the Acquis Communautaire, in order to ensure transparency and inclusion. Furthermore, the methodology for transposition of the acquis, compulsory confirmation of the harmonisation by the Secretariat for Legislation and strengthening the capacities of line ministries will be enhanced through continuous training.

The redesigned system for monitoring the implementation of the planned and undertaken obligations will be implemented, which includes more rigorous monitoring of the obligations referred to in the Stabilisation and Association Agreement. The system for continuous monitoring of the obligations arising from the Accession Partnership by the Government of the Republic of Macedonia will continue to be implemented through regular weekly sessions as well as monthly thematic sessions on the accession priorities.

1.1.4 JUDICIARY (See: Chapter 23 Judiciary and Fundamental Rights)

The Judicial Council, constituted in accordance with the Amendments to the Constitution of the Republic of Macedonia, performs its basic function in full capacity – election of judges and their dismissal. The Council, in accordance with the Rulebook adopted for monitoring and evaluation of the judges' operations will begin to realise this new competence.

The Law on Public Prosecutors' Council and the Law on the Public Prosecutor's Office have been adopted. Constituting of the Public Prosecutors' Council is planned in the first quarter of 2008. According to the new Law, the Basic Public Prosecutor's Office will be established for prosecution of organised crime and corruption and the Higher Public Prosecutor's Office in Gostivar. Upon constituting the Council, the election of public prosecutors will commence for the vacant posts and for prosecutors with expired term of office. In order to support the strengthened competences of the public prosecutors in the pre-investigation procedure, increase is planned in the number of prosecutors, expert prosecutor officers and administrative staff in the Basic Public Prosecutor's Office for prosecution of organised crime and corruption in line with the increased competences as well as provision of new premises.

The Public Prosecutors' Council is also envisaged to adopt a decision on creating a database model for prosecutions and its implementation.

The Law on Criminal Procedure will be amended, providing for precisely determined criminal acts relating to corruption; thus enabling application of special investigation measures.

With regard to implementation of the Strategy for Criminal Legislation adopted in June 2007, the adoption of new Law on Criminal Procedure and Criminal Code is envisaged, according to which the competence for conducting investigation will be fully transferred to the public prosecutors. The shared commitment of the Government of the Republic of Macedonia and the judicial authorities is to commence the application of the new criminal legislation by the end of 2009 which will provide for the investigation to be handled by the Public Prosecutor's Office (PPO).

The Administrative Court and the Appellate Court in Gostivar have been established and are fully functional. 18 judges have been appointed in the Administrative Court, and 11 judges in the Appellate Court in Gostivar. The strengthening of the professional-administrative capacity is ongoing: employment of 24 court officers in the Administrative Court (for completing already undertaken 8 employees) and 16 court officers in the Appellate Court in Gostivar. According to the Strategy, one of the immediate objectives for the establishing of a special Administrative Court is to overcome one of the backlogs in the judiciary i.e. updated resolving of the

cases in administrative disputes, for which the Supreme Court was in charge until now. The criteria for successful functioning of the Administrative Court will be capability for resolving the backlog of cases for a short period and efficient commencement for resolving the inflow of new cases.

During 2007, the Academy for Training of Judges and Public Prosecutors became fully functional and commenced realisation of two key objectives - initial training to judges and prosecutors and continuous training of the existing judges and prosecutors. The 27 candidates for judges and prosecutors have completed the theoretical part of the training and are to begin the practical part under supervision of a mentor for a period of 10 months. In 2007 the Academy commenced delivery of continuous training for the purpose of which the following programmes have been drafted: Programme for continuous professional training of judges and public prosecutors, Programme for continuous professional training of the expert officers in courts and public prosecutors' offices, Programme for continuous professional training of managing officers and expert-administrative officers in courts and public prosecutors' offices, Programme for initial intensive training of the judges in the Administrative Court.

In December 2007, for the purpose of realisation of the Programme for continuous professional training for 2008, the Academy drafted the following: Calendar of planned training for continuous professional training for 2008, Detailed calendar of planned compulsory training on continuous professional training of judges, public prosecutors and expert associates for January – February 2008, Framework calendar of planned training of presidents of courts and heads of public prosecutors' offices for 2008, Framework calendar of planned training on continuous professional training of expert associates for 2008, Framework calendar of planned training on permanent professional training of managing officers and professional administrative officers in courts and public prosecutors' offices for 2008, and Framework calendar of planned training on continuous professional training of administrative officers in courts and public prosecutors' offices for 2008.

By June 2008 all laws providing for misdemeanours provisions will be harmonised with the Law on Misdemeanours.

Adoption of Guidelines for the Supreme Court/Appellate Courts for efficient processing of obsolete misdemeanour cases by the courts (taking decision on obsolescence; thus being removed from the record of backlog cases).

The immediate short-term objective relating to introduction of information technology in the judiciary is putting into operation the upgraded Judicial Information System (JIS) in all courts. By September 2008, the Judicial Information System is expected to become operational in several selected courts.

1.1.5 ANTI-CORRUPTION POLICY (See: Chapter 23 Judiciary and Fundamental Rights)

In January 2008, a Council of the Government was established for implementation of the Action Plan for fight against corruption, which will be competent for: coordination, monitoring and ensuring implementation of the measures and activities provided for in the Action Plan of the Government for fight against corruption 2007-2011; monitoring the implementation of the anti-corruption legislation by the authorities and institutions in charge of the Government; monitoring the implementation of the obligations arising from the ratified international agreements in the area of anti-corruption policy; coordination of the governmental anti-corruption policies; adoption of decisions necessary for implementation of the anti-corruption measures, in particular those for which financial allocation is required; evaluation and proposing revision of the existing Action Plan of the Government for fight against corruption.

For the purpose of further prevention of corruption, implementation of the activities from the National Programme for Prevention and Suppression of Corruption of the State Commission for Prevention of Corruption and the Action Plan of the Government of the Republic of Macedonia for fight against corruption will continue, by inclusion of budgetary implications of the Action Plan.

With the purpose of implementation of the GRECO recommendations (first and second round of evaluation), the following activities will be carried out:

- Establishing criteria on acting and deciding upon requests for revoking the immunity of the members of parliament through amending the Rules of Procedure of the Assembly;
- Training for judges and public prosecutors and authorities for implementation of the law for practical application of the provisions for confiscation and seizure of criminal proceeds aimed at implementation of the legal regulation for confiscation and seizure of criminal proceeds;
- Adoption of the Code of Ethics for the members of the Government and holders of public functions and training on practical application of the Code of Ethics for Civil Servants relating to the obligation to report suspicion of corruption, as well as introducing codes of conduct for all public servants, including clear rules for reporting suspicion of corruption.
- In the aim of further harmonisation with Article 18 of the Council of Europe's Criminal Law Convention on Corruption, the issue concerning liability of legal persons for the criminal act of unlawful intermediation will be further regulated.

- Adoption of the Law on Public Servants, in order to establish a regulatory framework of modern administrative principles for the large number of public servants that are not civil servants and that will correspond, to a feasible level, to the regulations applicable for civil servants,
- Training for the police, prosecutors and judges on corporative responsibility of legal persons and conducting criminal investigations against legal persons.

Further strengthening of the entire cooperation and coordination among the competent authorities for fight against corruption will continue, as well as implementation of the memoranda for cooperation and continuous data exchange and submission of certain laws for opinion to the State Commission for Prevention of Corruption (SCPC).

With the purpose of improving the system for electronic collecting and exchange of data among the competent authorities for fight against corruption, networking of the databases of these institutions will be established.

A Programme for Prevention of Conflict of Interests will be adopted in line with the Law on Prevention of Conflict of Interests.

To increase the transparency of financing the political parties, the issue of financing election campaigns, conducting supervision of material and financial operations of the political parties and audit of the donations supplied to the political parties will be further regulated.

In the aim of successful application of the new amendments to the Law on Prevention of Corruption with regard to the property and material condition, the Amendments to the Law on the Public Revenue Office will provide the civil servants with special authorisations. The intervention in the Law enables to the SCPC in cooperation with the Public Revenue Office (PRO) to inspect the property-material condition.

For application of the Law on Free Access to Public Information, an Analysis will be drafted containing further measures and activities relating to this issue and training for the providers of public information.

For continuity of efficient dealing with corruption as a result of the scope of work, the institutional and staff capacities of the SCPC, the MI and the PPO will be strengthened and appropriate premises and technical equipment will be provided for application of special investigation measures. For further efficient fight against corruption, the regional and international cooperation with the relevant institutions will continue.

In order to strengthen the role of the PRO and the SCPC with regard to recording the property and inspection of the asset's declarations it is envisaged to create and update a database in the SCPC for recording the property and networking with the PRO database. Training for the staff in the SCPC Secretariat and in the PRO will be carried out on the application of the new system for collection and exchange of data.

1.2 HUMAN RIGHTS AND PROTECTION OF MINORITIES

1.2.1 HUMAN RIGHTS

For a period of 10 years¹, in which the European Court of Human Rights (ECHR) monitors and values the respect of human rights by the Republic of Macedonia, by 31 December 2006, 980 applications are active against the Republic of Macedonia. According to the admission criteria laid down in Article 35 of the Convention, by 31 December 2007 inclusive, the ECHR communicated a total of 100 cases for reply to the Government of the Republic of Macedonia. Of a total of 100 communicated cases, since the ratification until present the Government of the Republic of Macedonia has received 53 for reply during 2006 and 2007. The Court reached 31 judgments, in 27 of which there were judgments for violation of human rights guaranteed by the European Convention. 20 verdicts refer to violation of the right to trial within a reasonable time limit provided for in Article 6 paragraph 1 of the Convention, one (1) in Article 3 – lack of efficient investigation, four (4) – unfair trial, two (2) lack of efficient national remedy and two (2) – ownership right. The matters relating to the European Convention on Human Rights, including the ECHR jurisprudence are incorporated in the curriculum of the Academy for Training of Judges and Public Prosecutors. The ECHR decisions on the cases against the Republic of Macedonia are published on a regular basis translated into Macedonian language.

According to the new rules for monitoring the implementation of the judgments by the Committee of Ministers, after being subject to analysis, for each judgments establishing violation of the rights provided for in the European Convention on Human Rights and Fundamental Freedoms, it is necessary to prepare an appropriate action plan for implementation, to be communicated to the Council of Europe's Committee of Ministers. The Committee, on the basis of further requests for information on the process of

¹ The European Convention on Human rights and Fundamental Freedoms was ratified by the Assembly of the Republic of Macedonia on 10 April 1997.

implementation of the defined action plans, will evaluate the process and level of consistent execution of the ECHR judgments by the Republic of Macedonia.

In order to enforce the ECHR judgments against the Republic of Macedonia for introduction of efficient remedy for protection of the right to trial in a reasonable time limit, adoption of the amendments to the Law on Courts is ongoing.

In accordance with the ECHR positions related to efficient investigations and procedures regarding torture, and in function of prevention and consistent implementation of the judgments delivered by the Court, evaluation of the requirements will be made and adoption of appropriate amendments in the legislation aimed at ensuring efficient investigations in the case where the perpetrators of criminal acts are employees in the state administrative bodies.

To ensure execution of the ECHR judgments according to the new practice of the Council of Europe that requires drafting detailed action plans for each verdict thus generating a need for more efficient coordination with other authorities and institutions within the country, the status and competences of the Interministerial Body on Human Rights within the Government of the Republic of Macedonia will be redefined.

For the purpose of efficient implementation of the activities related to the cases in the ECHR, preparation of the observations with regard to the cases communicated, enforcement of the judgments, their translation and dissemination as well as the activities concerning legal and other changes necessary for enforcement of the verdicts, and the continuous harmonisation with the judicial practice of the European Court of Human Rights, the staff capacities of the Unit for Support to the Governmental Agent will be strengthened, and training will be provided regarding the process of monitoring the execution of the ECHR verdicts and specialised training on the ECHR judicial practice in certain areas will be carried out.

In terms of reducing the number of ECHR judgments related to determined violations of the right to fair trial in a reasonable time limit, in 2009 an Analysis of the actions of the competent courts will be prepared, which do not justify the excessive duration of the proceedings, as well as Analysis on the legal decisions in the processing laws providing for a possibility to repeat the proceedings before the national authorities upon a judgment delivered by the European Court of Human Rights, and the effects thereof. For the purpose of raising the awareness of the general and expert public on the significance of the practice and the consequences from the ECHR verdicts, periodicals on the comments of the case law of the European Court of Human Rights will be prepared, methodology will be determined and a mechanism will be established for continuous monitoring and analysis of the harmonisation of the national legislation with the case law of the European Court of Human Rights.

Within the framework of the reform of juvenile legislation, a new Law on Juvenile Justice has been adopted, in which the standards defined in the ratified international conventions and documents for children's rights are operational². Having into consideration these standards, the Law is based on the following principles: protection of a juvenile and his/her rights, socialisation and aid in the treatment of the juvenile, restorative justice and prevention of juvenile delinquency.

For the purpose of implementation of the Law on Juvenile Justice, Action Plan (2008 – 2009) is adopted with defined activities, terms and competent institutions for its realisation. According to the Action Plan, institutional equipping and staffing in the Centres for Social Work is envisaged as well as establishing of the State Council for Prevention of Juvenile Delinquency, as an independent body composed of 15 members elected by the Assembly. Moreover, a Fund for Compensation of Juveniles – Victims of Criminal Acts will be established, to be managed by the State Council for Prevention of Juvenile Delinquency. The Fund is established to the amount of 2% of the funds collected in the Budget of the Republic of Macedonia from fines imposed by the courts for criminal acts or misdemeanours, collected from the previous year.

In order to implement the legal framework laid down in the Law on Juvenile Justice, adoption of bylaws is foreseen, thereby effectuating keeping records of children at risk and juvenile perpetrators of criminal acts in the centres for social work, the application of the measures for aid and protection, and enforcement of measures imposed to juvenile perpetrators of criminal acts. According to the Law on Juvenile Justice, a single record of imposed sanctions for criminal acts and misdemeanour sanctions to a juvenile and younger adult will be established in the Basic Court Skopje I Skopje.

- For implementation of the Law, bylaws will be adopted relating to norms and standards of the special premises for detention of the juvenile in the MI and for work with children and juveniles at risk in the Centres for Social Work.
- In 2009, the State Council for Prevention of Juvenile Delinquency will adopt a National Strategy for Prevention of Juvenile Delinquency to define the principles and guidelines in the prevention of the juvenile delinquency.

² UN Convention on the Rights of the Child with the Protocol on the Involvement of Children in Armed Conflict and Protocol on the Sale of Children, Child Prostitution and Child Pornography, Convention against Transnational Organised Crime and Protocol against Trafficking in Persons, Especially Women and Children, Riad Guidelines for Prevention of Juvenile Delinquency of 1990 and the Council of Europe Recommendation No. R (87) 20 on Social Reaction to Juvenile Delinquency.

Initial training for social workers for the new concepts of the Law on Juvenile Justice will be carried out as well as basic and specialised training for police officers (uniformed and ununiformed), authorised officials, expert teams in the centres for social work, judges, public prosecutors, and advocates.

The Bureau for Social Work will work on strengthening of the network of education centres for group work with parents, within the centres for social work, in which this type of work has not been presented yet as extra institutional form of protection of children at risk and juvenile perpetrators of criminal acts. Increase of the number of the existing centres has been envisaged, i.e. by the end of 2009 eight more centres will be established.

In addition, for work with children (witnesses, victims or perpetrators) in each of the centres for social work appropriate premises will be provided and equipped.

According to the Law on Juvenile Justice and for the purpose of enforcement of the correctional measure "sending to Juvenile Detention Centre", i.e. for application of appropriate, short-term and intensive psycho-social and pedagogical treatment of the juvenile, a Detention Centre will be opened in Skopje by the end of 2009. At the same time, educational and correctional institutions for juveniles will be relocated, so that they will be fully separated from the adults and will have suitable conditions to satisfy their specific needs, mental and physical health ensuring their full rehabilitation and reintegration in the society. Continuous specialised training will be carried out on juvenile delinquency for judges, public prosecutors and advocates, authorised officials in the MI and expert teams in the Centres for Social Work.

The penitentiary system in the Republic of Macedonia is positioned in certain horizontal and vertical connection, as a single and closed system of penitentiary institutions. In such a positioned system the execution of sanctions is under the competence of the Directorate for Execution of Sanctions. The sentence of imprisonment is executed in penitentiary institutions, whereas the correctional measure: dispatch to educational and correctional institutions is executed in educational and correctional institutions. All institutions are legal entities. Penitentiary institutions may be penitentiary houses or prisons, and according to the level of security, they are divided into penitentiary institutions of open, semi-open and closed type. Currently in the Republic of Macedonia, 9 penitentiary institutions and 2 educational and correctional institutions are operational, employing a total of 525 full-time employees.

In order to implement the Law on Execution of Sanctions, the remaining bylaws will be adopted for enhancing material and security conditions, as well as control mechanisms in the penitentiary institutions.

For the purpose of improving the conditions in the penitentiary institutions, according to the Programme for Reconstruction, construction works are ongoing for establishing other closed-type penitentiary institutions - penitentiary institution Stip. With regard to the infrastructural strengthening of the Penitentiary Institutions - Idrizovo and Prilep, construction works are currently ongoing for improvement of the accommodation capacities. The reconstruction and renovation of the remaining institutions will continue upon obtaining a loan granted by the EBRD, the procedure for which is ongoing in 2009, and improvement of the conditions in the penitentiary institution Idrizovo, prisons in Stip, Strumica, Ohrid, Kumanovo, Tetovo, Bitola, Gevgelija and the building and equipping of the house-hospital. In order to ease the burden of the detention and prison capacity, the establishment of 3 semi-open-type penitentiary institutions has been envisaged. Namely, the Prison Prilep is already operational and the entire reconstruction is completed. The Prison in Strumica is to become operational in the first quarter of 2008, and the prison in Kumanovo is expected to be put in operation in the first quarter of 2009.

Activities for providing material and staff conditions are ongoing for permanent operation of the training centre for training of the employees. For the purpose of strengthening the administrative capacities of the Directorate for Execution of Sanctions and the PI, further staffing as well as continuous training will be carried out in terms of provision, health protection, re-education and re-socialisation.

With the aim to enhance the cooperation with the Ombudsman, carrying out a public campaign on introducing the citizens with the Ombudsman's competences, holding round tables with the local self-government and with the civil servants on central level and with the employees in the institution, as well as carrying out appropriate training. New software application will be prepared intended for networking of the Ombudsman's regional offices. For strengthening the administrative capacities the Ombudsman Office will be further equipped.

1.2.2 MINORITY RIGHTS

The Strategy for Equitable Representation adopted in 2007 and the Action Plan for its implementation are the basis for further promotion of the equitable representation of the non-majority communities. According to these documents, guidelines and instructions will be prepared in order to provide for working post in the systematisations for which also knowledge of the non-majority community languages is necessary in terms of the procedures for admission and selection of the candidates for employment, as well as training measures. A Plan for employment will be adopted for appropriate and equitable representation. Within the implementation of the Strategy for Equitable Representation, the Strategy for Public Communication will be implemented. The Sector for Framework Agreement grew into a Secretariat for Implementation of the Framework Agreement. The Secretariat, among other things, will communicate to the Government quarterly reports on the implementation of the Strategy, on the basis of the determined procedures. For realisation of the measures for equitable representation in 2008, MKD 200,000,000 have been foreseen in the Budget of the Republic of Macedonia.

Within the frames of the implementation of the National Strategy for the Roma, promotion of the approach of Roma in education will be realised through increasing the quotas for enrolment in the higher educational institutions from 2.66% to 4%, increasing the number of enrolled Roma students in faculties that produce teaching staff, provision of scholarships, as well as promoted approach of the dormitories.

For the purpose of promotion of the approach for employment of the Roma, the following measures have been envisaged:

- Reintegration in the labour market – through their inclusion in realisation of active employment measures (public work) such as construction of homes, seasonal work etc.; employment in the state and local administration.
- Programmes for development of the entrepreneurship – creating conditions for intensive development of small and medium-sized enterprises highlighting self-employment; establishing advisory centres for support to small and medium-sized enterprises; re-training, in-service training to those who are interested in such business, enabling access to information for starting an own business (assistance for registration, free preparation of a business plan, counselling, etc.), developing entrepreneur skills by the young, etc.
- Education and training – in particular for the young Roma and Roma women; training to persons working in the human resources units within the employment centres on promotion of active employment measures.

Information and participation – to inform the Roma on their rights and duties in employment, encouraging Roma citizen organisations to cooperate with the private sector relating to promotion of the Roma population employment.

1.3 REGIONAL ISSUES AND INTERNATIONAL OBLIGATIONS

REGIONAL COOPERATION

The Republic of Macedonia, within the frames of its proactive policy for promotion of good neighbourly relations and regional cooperation, will continue its strong engagement focused to further promotion and enhancement of the cooperation both bilaterally and in terms of regional initiatives.

In that sense, special attention will be paid to:

- Promotion of cooperation with the neighbouring countries, in particular in the area of cross-border cooperation, fight against organised crime, trafficking and smuggling, legal cooperation, border management, readmission and environment;
- Implementation of the priorities and obligations within the Southeast European Co-operation Process (SEEC), transformation of the SEE Stability Pact and the new established Council for Regional Cooperation (CRC), Central-European Initiative (CEI) and SECI Centre in Bucharest;
- Active participation and implementation of the provisions of the Agreement on Amending and Accession to the Central European Free Trade Agreement (CEFTA 2006), Southeast European Energy Community (SEECEC), etc.;
- Active participation and development of cooperation within the European regions established with the neighbouring countries.

For the purpose of specific contribution in the promotion of the regional cooperation and development of the regional property, the Republic of Macedonia applied for the seat of the Secretariat for Regional Parliamentary Cooperation, the CEFTA Secretariat 2006 and of the administrative structure of the Regional School for Public Administration; unfortunately, neither was accepted.

The Republic of Macedonia remains committed to the development of the bilateral relations with the neighbouring countries from the Western Balkans.

Bilateral relations with the countries in the region in the past period were characterised with intensive political dialogue on different levels as well as deepening of the cooperation in a number of areas.

The Republic of Macedonia has committed to building good relations and developing comprehensive cooperation with the Republic of Greece. The Republic of Macedonia is interested in continuing the political dialogue by effectuating visits on the highest, high and working level, for which several invitations were sent in a number of occasions, as well as, without delay, reconciliation and signing of bilateral agreements on promotion and mutual protection of investments, and avoiding dual taxation, as well as agreements on scientific and technical cooperation, cooperation in health, social security and facilitating small border regime. The implementation of the Neighbouring Programme with the Republic of Greece contributes to promotion of cross-border cooperation, and the Operative Programme for Cross-border Cooperation within the IPA has been programmed. For the purpose of cross-border cooperation, it remains in the interest of the country to open new border crossing points to the Republic of Greece: Markova Noga – German (in the function of the Euro-Park Prespa), Pulevac-Ardea (to define the eco-region Kavadarci-Ardea), Bitola-Lerin through revitalisation of the railroad, which is not functional at the moment and Nikolik-Star Dojran.

With regard to the issue on different positions on the name, the Republic of Macedonia demonstrates constructive approach within the process under the auspices of the UN. Aimed at reinforcing the dialogue process, the Minister for Foreign Affairs, Mr. Milososki, hosted the meeting of the mediator Mr. Matthew Nimitz with the two negotiators, held in January 2008 in Ohrid. In that occasion, the Macedonian party proposed maintaining regular meetings with the Greek party on all levels. In addition, a draft text to the Declaration on Friendship and Cooperation was presented as well as a proposal for establishing a common education-history commission. Unfortunately, neither of those initiatives was accepted.

The steady relations established and continuous political dialogue with the Republic of Bulgaria will be further intensified. In addition to the economic cooperation, both countries will continue to develop cross-border cooperation, cooperation in the field of defence, internal affairs, judiciary, transport and communications, agriculture, forestry and water management, local self-government, culture, environmental protection, etc. Activities have commenced for regulating issues of terrain cleaning, renewal and replacement of the border signs along the state border between the Republic of Macedonia and the Republic of Bulgaria. Expertise consultations on EU integration are maintained on a regular basis, on the grounds of the Memorandum for Cooperation in the European and Euro-Atlantic Integration. The new three-year Memorandum for Cooperation in these areas was signed during the political consultations on DMFA-level in Sofia in January 2008.

In the next period, it is foreseen to intensify the cooperation within the frames of the European regions and infrastructural projects of common interest such as the Skopje – Sofia Railroad, Kumanovo - Deve Bair – Sofia Motorway, the AMBO Trans Balkan Oil Pipeline and construction of three border crossing points: Berovo - Sandanski (completed from the Macedonian side), Pehcevo - Simitli and Delcevo - Nevestino, according to the signed inter-state agreements.

With the Republic of Albania, good and intensive relations have been realised, in particular on bilateral plan, and the cooperation in the area of transport, defence, security, customs, culture, education, etc. have been intensified. Following the nine-year break, a meeting of the joint commission on demarcation, maintenance and reconstruction of the state border between the Republic of Macedonia and the Republic of Albania was held (27 January 2007). In the next period, it is envisaged to conclude an Agreement on Cross-border Police Cooperation and Agreement on Railroad Connection. Both parties have reconciled the texts of the Agreement on Mutual Travel of Citizens and the Protocol for Regulation of the Local Border Traffic of Citizens in the border zone, which are to be formalised in the course of the pending official visit to the Republic of Albania of the Prime Minister of the Republic of Macedonia, Mr. Gruevski, 18-19 February 2008. The cooperation in the field of exchange of experiences in the process of European integration is maintained on the basis of the bilateral Memorandum of Understanding signed on 17 June 2004. Aimed at efficient implementation of the provisions of the SAA relating to promotion of regional cooperation, a procedure has been initiated for conclusion of the Cooperation Agreement pursuant to the SAA.

The Joint Macedonian - Albanian Committee for the Ohrid lake basin will continue its activities, pursuant to the Agreement on Protection and Substantial Development of the Ohrid Lake and its Watershed of 2004.

The relations with the Republic of Serbia, in the second half of 2007, have been intensified with mutual contacts and meetings on the highest level. Even though the relations have been valued without open issues, it is necessary to overcome the situation in the relations between the Macedonian Orthodox Church (MOC) and the Serbian Orthodox Church (SOC) as well as the issue on the obligation assumed by the Serbian party according to the Agreement on Border Demarcation and Spreading relating to the Monastery "St. Prohor Pciniski". In the area of agreements, for a long period there is no response to the Macedonian proposals on signing an Agreement on Property and Legal Relations, Agreement on Protection and Use of Culture and Historic Monuments and Symbols in the Territories of both Countries, Agreement on Mutual Recognition of Diplomas, Agreement on Establishing Culture and Information Centres in Belgrade and Skopje and Protocol on the Use of Military and Medical Health Institutions in both countries.

Intensive cooperation in a number of areas will continue, and in the field of economy, in the abovementioned period, Serbia was a major external-trade partner of the Republic of Macedonia.

The Republic of Macedonia supports Serbia's efforts for faster accession in the European processes, and in that direction an initiative was submitted for signing a Memorandum for Cooperation between the Government of the Republic of Macedonia and the Government of Serbia in the field of European integration. In the next period, it is planned to open new border crossing points for small border traffic Lojane - Miratovac and Ogut – Trgoviste.

It is envisaged to adapt the title and text of the "Agreement on Protection of the Macedonian National Minority in Serbia and Montenegro and of the Serbian - Montenegrin National Minority in the Republic of Macedonia", in line with the current situation and without delay establishing commissions competent for implementation of this Agreement.

The Republic of Macedonia supports the efforts of the international community related to finalisation of the political process for defining the final status of Kosovo. It has supported the proposal given by the Special Envoy of the UN Secretary General Mr. Martti Ahtisaari as a good basis for the solution of the status in line with the basic principles of the Contact Group for Kosovo. The Republic of Macedonia prefers that the entire process is endorsed by a Security Council Resolution, or otherwise, as a candidate country for the EU and NATO membership, it will follow the EU and NATO policy. The Republic of Macedonia insists that in the solution the issue of urgent technical demarcation of our northern border in the part with Kosovo is also incorporated in line with the elements contained in the proposal of the special envoy Ahtisaari.

The cooperation with Kosovo/UNMIK is characterised with permanent rise on all levels upon opening the Commercial - Economic Representative Office of the Republic of Macedonia in Pristina (September 2005), i.e. after raising its rank to a Liaison Office of the Republic of Macedonia in February 2006. The common economic cooperation is continuously increased, as well as the cooperation in the area of MI, customs, transport and liaisons. It remains in the interest of the country to sign the Agreements on Protection of Investments and Avoiding dual Taxation as well as the Interim Protocol for Extradition with UNMIK.

The bilateral relations between the Republic of Macedonia and Montenegro are increasing on all levels. So far seven bilateral documents have been signed for cooperation and activities for conclusion of the remaining agreements and contracts of common interest for further development of the bilateral relations are ongoing. The General Consulate of the Republic of Macedonia in Podgorica commenced its activities in September 2005, and upon the independence it was enhanced to the level of Embassy. The Republic of Macedonia is prepared to transfer its experiences in the process of integration of Montenegro in the European and Euro-Atlantic structures, and for that purpose activities for signing a Memorandum for Cooperation have commenced.

The political dialogue with Bosnia and Herzegovina will further develop with continuous intensity. The encompassed contractual framework created conditions for intensification and promotion of the cooperation. The Readmission Agreement, Agreement for Cooperation in the Field of Education and Science, Agreement on Avoiding Dual Taxation and Agreement on Cooperation in the Field of Fight against Terrorism, Organised Crime, Illicit Trafficking of Narcotics, Psychotropic Substances and Precursors, Illegal Migration and Other Criminal Acts have been aligned and prepared for signing. The Republic of Macedonia is prepared to share its experience in the integration process of Bosnia and Herzegovina in the European and Euro-Atlantic structures.

The relations and cooperation with the Republic of Croatia are improving in all areas of mutual interest, in particular in terms of both countries' common European and Euro-Atlantic aspirations. The first meeting of the Joint Committee for the purpose of functioning of the Cooperation Agreement in the context of EU accession in January 2007, has additionally strengthened the grounds for cooperation, in particular in the EU accession process. In October 2007 in Zagreb, the Agreement for Protection of the Macedonian Minority in the Republic of Croatia and of the Croatian Minority in the Republic of Macedonia was signed.

INTERNATIONAL OBLIGATIONS

The Republic of Macedonia will continue to meet the international commitments, in particular in the area of providing full cooperation with the International Criminal Tribunal for the former Yugoslavia regarding the four cases already sent back by the CTFY.

The previous year, Republic of Macedonia has realised several preparatory activities for return of the cases in the competence of the state. For the purpose of regulating the procedure for return of the cases, as well as proceeding of the cases retreated from the Hague Tribunal to the national authorities, the Law on Cooperation between the Republic of Macedonia and the International Criminal Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia was adopted in June 2007. Pursuant to the Law, monitoring will continue regarding all procedures related to the cases returned from the Hague Tribunal.

For further promotion of the judges' and public prosecutors' expertise and experience as well as their preparedness to resolve complex cases in the area of the international humanitarian law, during 2007 several study visits and specialised training sessions

were carried out, intended for judges, public prosecutors, expert associates, members of the court administration as well as the employees in the Ministry of Justice.

In the course of 2008, a Programme for Implementation of the International Humanitarian Law is envisaged to be adopted including the Statute of the International Criminal Court in the legislation of the Republic of Macedonia.

2 ECONOMIC CRITERIA

During the past 16 years, the Republic of Macedonia achieved significant progress towards meeting the Copenhagen economic criteria. The integration process of the Republic of Macedonia into the European Union continues and the country expects to meet all aspects of the criteria in the upcoming medium-term period.

The Chapter Economic Criteria comprises two sub-chapters: They state briefly the main policy activities/measures to be undertaken by the authorities in order to fully meet the Copenhagen economic criteria. The first sub-chapter states the policy activities/measures focused on meeting the priorities that would result in strengthening the existence of a functional market economy. The second sub-chapter is focused on policy activities/measures in terms of priorities aimed at enhancing the capacity of the country to successfully deal with the competitive pressure and market forces in the EU.

2.1 EXISTENCE OF A FUNCTIONAL MARKET ECONOMY

MACROECONOMIC STABILITY

The economic results in the Republic of Macedonia in 2007 are the best in the so-far transition period, whereby positive trends were experienced in all sectors of the economy. Such positive trends are a result of the ambitious economic programme of the Government of the Republic of Macedonia, supported by a disciplined fiscal policy and a consistent monetary policy.

The Gross Domestic Product (GDP) growth rate for the first three quarters of 2007 is 5.5%.

Growth is diversified in all economic sectors. It was driven by the services with a contribution in the growth of 4.1 percentage points (p.p.) while the contribution of the industry was 1 p.p. This situation is mainly a result of the lower production of electricity, oil and oil derivatives. If we exclude the negative effect of the sector for production of electricity, gas and water, the GDP growth in the first three quarters was 5.8%, in accordance with the initial projections. GDP growth was realised in conditions of unchanged trade deficit (40% export growth and 30% import growth), low current account deficit, low budget surplus of 0.6% of GDP, reduced interest rates of the commercial banks, as well as reduced unemployment rate (at the end of the third quarter of 2007, the unemployment rate was 34.2%, which is 2.1 percentage points lower compared to the third quarter of 2006). Positive economic trends in the real sector are achieved in conditions of low and stable inflation, which in 2007 was 2.2%, lower than expected, and above all, it is a result of the reduction of the value added tax on pharmaceuticals, public transport and computer equipment. Still, global and regional trends contributed to higher inflationary pressures in the second half of 2007, mainly as a result of the price increase of raw materials and food.

SHORT-TERM PRIORITIES

Reform activities in 2007 and those planned in 2008, as well as numerous activities of the Government of the Republic of Macedonia for encouraging foreign direct investments are the basis for the projections for 6% economic growth in 2008. Personal consumption and investments (especially foreign direct investments – FDI) will also drive economic growth from the aspect of the expenditure side of GDP. From the aspect of the production, the main driver of growth will be the services, due to their dominant share in creation of GDP and somewhat lower growth is expected in industrial production, thus resulting in further change of the structure of domestic production towards services, similar to the structure in more advanced countries in transition.

The contribution of personal consumption in the GDP growth in 2008 is expected to range between 3.5 and 4 percentage points. Such assumption is based on the following:

- projected growth of net salaries by 7.5% in 2008, as a result of the salary growth in the public sector by 10% and growth of salaries in the private sector that would follow the growth of productivity;
- growth of credits to citizens by 30%;
- expected stable level of private transfers.

Personal consumption will also grow as a result of the introduction of the flat tax, i.e. reduced personal income tax of 15%, 18% and 24% in 2006, to 12% in 2007 and 10% in 2008. In accordance with the commitment of the Government of the Republic of Macedonia to a disciplined fiscal policy (general government budget deficit of up to 1.5% of GDP), the contribution to the public consumption to GDP in 2008 will range between 0.5 and 1 p.p., and increase of the percentage of utilisation of capital investments is also expected, which would contribute to more intensive GDP growth.

In 2008 investment activities are expected to intensify in accordance with the intensified reform agenda of the Government of the Republic of Macedonia, the improved business climate, the expected membership in NATO and the expectation for start of negotiations with the EU.

Reduction of the profit tax to 12% in 2007 and to 10% in 2008, as well as the exemption of reinvested profits from taxation is an additional impetus for bigger investment activity. Thus in 2008, gross investments are expected to increase in average between 13% and 16% and to contribute to the growth by approximately 2 to 2.5 percentage points. Taking into account the import dependence of the Macedonian economy, the significantly higher expected inflow of FDI (Johnson Matthey, Agrokor, ERA City

etc.), as well as the expected expansion of the personal consumption, the contribution of the net export is expected to be negative in the upcoming period, but stabilised to a level of -0.5 to - 2.0 percentage points.

In the monetary area, further deepening of the fiscal intermediation is expected in conditions of low inflation rate and fixed exchange rate, disciplined fiscal policy and bigger competition in the banking sector. In 2008 the interest rates of the commercial banks are expected to additionally decline by 1 to 1.5 p.p., while growth of credits to the private sector to be approximately 30%, thus being an additional impulse for encouraging economic activity.

Improvement of the overall economic ambient, more intensified economic activity of small and medium-sized enterprises, as well as numerous measures of the Government of the Republic of Macedonia for poverty reduction will contribute to employment growth by approximately 4% on annual level, and at the same time, the unemployment rate will decline by 1.5 percentage points to 35.0%.

FREE INTERPLAY OF MARKET FORCES

PRIVATISATION

Economic activities in the country are based on dominant private ownership. In 2007 two companies from the PE Macedonian Railways were in the process of privatisation. For one of them, Remont na Prugi i Niskogradba DOOEL – Skopje (Rail tracks overhaul and low structure), the procedure is successful and is in the stage of signing a contract with a foreign buyer and for the other, Fabrika za Sinski Vozila DOOEL – Veles (Factory for railway vehicles) the procedure was unsuccessful and a new legal solution is required for selling the state capital. The PE Macedonian Railways experiences a significant restructuring process, whereby it was divided into two new enterprises: Public enterprises for railway infrastructure Macedonian Railways – Skopje and joint-stock company for transport Macedonian Railways Transport JSC - Skopje. Preparation of four studies is envisaged regarding the transformation of the PE Macedonian Railways.

From the PE Makedonski Sumi, in 2007, 10 companies were separated as non-core activities (7 sawmills, 2 fish ponds and one company for production of mushrooms). One of these companies has completed the ownership transformation and the remaining ones will be transformed during 2008.

In 2008, privatisation processes in the sector of services and public enterprises will continue with implementation of the restructuring phases, separation of the parts that can function successfully in conditions of market competition and privatisation.

CONCESSIONS

The Government of the Republic of Macedonia decided to introduce a concession model for the two airports managed by the Public Enterprise for Airport Services (PEAS). To this end, the Ministry of Transport and Communications announced international restricted invitation for selection of a consultant and it selected NACO (Netherlands Airport Consultants B.V) as the best bidder with which it signed an agreement. The period for which the consultant is hired to complete the studies is 6 months (2+4) and is structured in two phases. The first phase includes preparation for a development study for concession and the second phase includes preparation of tender documentation for concession in accordance with the national legislation. The project objectives are to reconstruct and expand the existing airports as well as the level of international services. The modernisation model for both airports is prepared by the consultant, after which in the first quarter of 2008 a tender will be announced for selection of a partner.

LACK OF MORE SIGNIFICANT BARRIERS TO MARKET ENTRY AND EXIT

During 2007 a major number of formalities and regulations regulating the business in the Republic of Macedonia were revised and simplified. The revisions are aimed at elimination of all inefficient and anti-market instruments in the legislation containing price controls and barriers to entry on the market.

The Sector for Economic Policies and Regulatory Reform within the Cabinet of the Deputy Prime Minister of the Government of the Republic of Macedonia has coordinative role in the reform and will continue to monitor the implementation of the recommendations. After completion of the project, as from January 2008 an Electronic Register of Regulations will be established, containing all laws, bylaws and formalities significant and necessary for business.

As a second phase of the regulatory reform, a legal framework is prepared for introduction of the mechanism for Regulatory Impact Assessment which would continuously carry out checkups and assessment of the quality of the new legislation before it is submitted to the Government, from the aspect of its impact on the business community, the citizens and other interested parties. The assessment of the impact of the regulation will include mandatory consultation with the relevant stakeholders.

Additional amendments to the Company Law are envisaged in the first half of 2008 as a continuation of the implementation of the recommendations of the ROSC - Report on the Observance of Standards and Codes (World Bank Report on the Improvement of the Legal Framework for Corporate Governance), but also due to the need of terminological harmonisation with international accounting standards (the term international standards on financial reporting will be introduced).

The one-stop-shop system functions in the Republic of Macedonia whereby measures are continuously undertaken for its improvement, whereby additional amendments to the Law on the One-Stop-Shop System are planned in the first half of 2008. Having in mind that the existing capacity of the Central Register enables even faster registration, as well as due to the need for introduction of a general business clause in the Republic of Macedonia, the Law Amending the Law on the One-Stop-Shop System entered into force, reducing the time for registration to four hours. The general business clause eliminates the business formalities required so far in the establishment and management of a company (registering and changing the main activity under the threat of sanctions) and enables all entities swift adaptation, depending on the market conditions, to carry out any activity they select. The reform of the legal framework on the one-stop-shop system is expected to continue in 2008 for which technical assistance is provided in the part of review of the Law on the One-Stop-Shop System with the purpose of further harmonisation with the relevant European acquis.

There are three major activities which are realised in the Central Register and supported by the BERIS project: 1/ hardware equipment inclusive with 2007 and 2/ establishment of a system for data recovery planned for 2008. 3/ software is in the process of development, financed by the BERIS project for electronic submission of annual accounts. Inclusive with February 2008, when the legal deadline starts for submission of annual accounts, the software for enabling this possibility is expected to be operational and functional, and the bylaw that would legally regulate the manner, the conditions, and the procedures for submitting annual accounts electronically is expected to be adopted.

In the process of eliminating the barriers for fast entry on the market, in particular, the area of bankruptcy and liquidation, significant results were achieved with the new legislation. The new Bankruptcy Law is already in force, as well as five rulebooks, already showing effects of the new legal decisions with regard to acceleration of the procedure, reduced costs, supervision of the activities of bankruptcy trustees etc. After the organised courses for education of candidate for taking the exam for authorised bankruptcy trustee, two exams were organised whereas 107 candidates have passed successfully. For strengthening the professional and ethical standards of the bankruptcy trustees, a professional association was established for the first time, a Chamber of Bankruptcy Trustees. Three working meetings were organised for education of the participants in the bankruptcy procedure, attended by bankruptcy judges, bankruptcy trustees, creditors, commercial banks, State Office for Geodetic Works, the State Archives and other participants in the bankruptcy procedure. There is an ongoing selection of consultants that would organise training for the participants in the bankruptcy procedure for a period of two years. To the end of enhancing the professional capacities in accordance with the new Law, licensing of bankruptcy trustees began. Bankruptcy trustees who fail to acquire a license cannot be appointed as bankruptcy trustees in the future, and pursuant to the Law, the court will dismiss the non-licensed bankruptcy trustees ex-officio and will appoint trustees who have acquired a license instead.

APPROPRIATE LEGAL SYSTEM

REGULATION OF PROPERTY RIGHTS

Pursuant to the Draft Law on Real Estate Cadastre, adopted by the Government of Republic of Macedonia, the State Authority for Geodetic Works is transformed and continues to work as an Agency for Real Estate Cadastre. The Agency, according to the Draft Law, bases its activities on the principles of professionalism, efficiency, transparency and service-orientation, as well as accountability in the operations and the acquired results.

The future plans of the Agency are completion, development and maintenance of the real estate cadastre, development of GPS and gravimetric network and maintenance of the geodetic networks, producing and updating new cartographic products, as a foundation for development of a state geospatial database.

To the end of achieving the plans, the SAGW adopted the following strategies:

1. Coverage of the whole territory of the Republic of Macedonia with the real estate cadastre, active GPS and gravimetric network, with cartographic products and development of geospatial database (strategy for establishment of Real Estate cadastre, described in the plan for implementation of the Project "Real Estate Cadastre and Registration");
2. Enhancing market orientation and increasing the cost refund through better acquaintance with the market requirements and development of new products and services in order to meet these needs;
3. Proactive relation to the concerned parties in the process of creation of land policy and development of the real estate market;
4. Ensuring competency in the cadastre, the cartography, the geodetic works, provision of products and services on the market in a manner appropriate to the needs of the users; and
5. Use of modern information technology and digital products so as to meet the requirements of the clients (and other concerned parties) and to improve the internal efficiency and working conditions, focusing, at the same time, on preserving security, safety and confidentiality of the data.

With regard to these strategies, the following activities will be undertaken so as to fulfil them.

In order to establish a Real Estate Cadastre throughout the territory of the Republic of Macedonia, in accordance with the adopted 2007 plan for establishment of a real estate cadastre, the procedure for systemic registration of real estate rights is being intensively implemented. By end-November 2007, of the total number of 1,692 cadastre municipalities in the Republic of

Macedonia, a real estate cadastre was established in 1,162 cadastre municipalities, which is 68.8% of the whole territory of the Republic of Macedonia. By end-2007, a 72% coverage was ensured, by mid-2008 a coverage of 82% is envisaged, and a 100% coverage is envisaged by end-2008 and early 2009. This will provide legal safety for investors and ensure utilisation of real estate deeds for provision of loans.

According to the adopted plan for establishment of a real estate cadastre, technical and geodetic works are running in parallel, which precede the procedure for systematic registration of real estate rights. Data on real estate are updated in the envisaged cadastre municipalities through the procedure of reambulation which is under the competences of the private geodetic practice, with the purpose to accelerate the procedure of registration of the rights based on correct and updated data on real estate. The new Law on Real Estate Cadastre, the adoption of which is expected in 2008, provides for provisions that will enable acceleration of the procedure of systemic registration of real estate rights and provisions that will enable simplification of the procedure regarding changes in the maintenance of the real estate cadastre.

In accordance with the ICT strategy, the plan of the SAGW is to establish an electronic geodetic-cadastre information system as an integrated and single system in the Republic of Macedonia which enables management, processing, distribution and access to updated data from the real estate cadastre, data on basic geodetic works, state topographic maps, register of spatial units and records of the real estate in state ownership.

A project has been realised for web presentation (publication) of the descriptive (attributive/alphanumeric) data from the real estate cadastre for the city of Skopje. These data will be available to the service users through the website of the State Authority for Geodetic Works. It should be underlined that no data on the mortgages will be posted. It is planned to post data on Skopje and on those cadastre municipalities on the territory of the city of Skopje where real estate cadastre is applied. Search will be made by number of cadastre lot and by number of real estate deed. The first two to three months will be a test period which implies that access to these data will be free.

Under this project, the web service was realised on the data on mortgages, intended for professional users of the services of the State Authority for Geodetic Works, those being notaries public and banks. The implementation of this project started in December 2007 and the first two weeks to one month will be a test period during which these users will receive data without paying a fee. After the completion of the test period for the cadastre municipalities under the competences of the Sector for Real Estate Cadastre Skopje, the same project will be implemented in other 29 units for real estate cadastre in the Republic of Macedonia.

Enforcement of laws and contracts and effectiveness of the judicial system with regard to economic issues.

Implementation of the reforms in the judiciary system continues with appropriate activities for practical implementation of all adopted laws by demonstrating visible results aimed at strengthening the independence and increasing the efficiency of the judiciary system, thus contributing towards efficient realisation of the constitutional rights of the citizens, acceleration of the resolution of court disputes, ensuring legal safety and protection of property rights.

Amendments were envisaged to the Law on Courts with the purpose of protection of the right to trial in a reasonable period which are expected to be adopted in the first quarter of 2008. The application and the effects of the changes will be monitored continuously and an analysis will be made by end-2008.

One of the short-term priorities of the Republic of Macedonia with the purpose of determining the effects of the implementation of the Law on Mediation is to prepare an analysis on the basis of which further activities will continue for raising awareness of the citizens regarding mediation as a manner for alternative resolution of disputes. Amendments are envisaged to the Law on Mediation.

SUFFICIENTLY DEVELOPED FINANCIAL SECTOR

In 2008 the banking sector faces several challenges.

The transition towards a market economy in the Republic of Macedonia, similar to other transition countries, required drastic change of the role of the financial sector, and the main challenge in this area is the development of an efficient system of financial markets and institutions.

On 30 September 2007, the banking sector in the Republic of Macedonia comprised 18³ private universal banks, 1 state-owned bank with specific functions which do not represent competition for the commercial banks and 12 savings houses. From the aspect

³ In October 2007 the license for establishment and operations was revoked from one bank, and thus the number was reduced by one.

of the ownership structure, on 30 June 2007⁴ the share of state-owned banks is 6.9% of the total capital of the banking system, while foreign capital is present in 17 banks. In 9 of these banks, foreign owners represent a shareholding majority with 54.6% in the total capital, i.e. 58.0% of the total assets of the banking sector. Of these 9 banks, 5 are subsidiaries of foreign banks. During 2007, Société Générale Paris became a dominant owner in one Macedonian bank.

On 30 September 2007, the level of financial intermediation, calculated as ratio of total assets, gross credits and total deposits to GDP⁵ of the Republic of Macedonia grew and it amounts to 67.0%, 37.5% and 48.6%, respectively. As a comparison, on 31 December 2006 these indicators were 57.4%, 29.6% and 41.3%, respectively. However, the level of bank intermediation in the country is still fairly low if compared to EU Member States. Inclusive with 30 September 2007, total assets of the banks in the Republic of Macedonia amounted to MKD 207 billion, while the banks' own funds amounted to MKD 28.4 billion.

The results of the banking sector in the Republic of Macedonia are fairly good. This can be confirmed by the increased confidence by the population reflected through the increase of savings. On 30 September 2007 the deposit base in the banks amounted to MKD 150 billion and grew by 19.8% compared to 31 December 2006. The positive results of the Macedonian banking sector are also reflected in its profitability indicators. In the first half of 2007 the sector realised a positive financial result in the total amount of MKD 2.9 billion, which is 56% more compared to the same period in 2006. The rate of return on assets (ROA) was 2.0% while return on equity (ROE) was 15.8%.

The credit activity of banks continued to grow (annual growth rate – September 2007 in relation to September 2006 is 41.1%, while the quarterly growth – September 2007 in relation to June 2007 is 10.1%). The most significant annual growth of 56.4% was observed in credits to physical persons, while the annual growth of credits is 33.3%. During the past period the banks were almost equally oriented towards long-term and short-term crediting (annual growth rate of long-term credits was 46.8%, while of short-term credits it was 46.5%). Despite the intensification of credit activity, the quality of the credit portfolio of banks marks a permanent upward trend. On 30 September 2007 the share of the credit exposure of banks classified in the risk categories B, G and D in the total credit portfolio of banks amounts to 6.4% and compared to 31 December 2006 declined by 1.2 percentage points. The average risk of the credit portfolio (calculated as a ratio between the provisions for potential losses and overall credit exposure) marks a constant trend of improvement. On 30 September 2007 the indicator slightly declined (improvement) by 1.5 percentage points compared to 31 December 2006 and is 5.8%.

Banks maintain a relatively high liquidity position. In the period January - September 2007, the share of average liquid assets of the banks was 35.7% in the total assets, ensuring a level of coverage of the total liabilities of the banks of 41.7%.

Despite the significantly increased volume of activities, the banks maintain a relatively high solvent position. On 30 September 2007 the average capital adequacy ratio of banks was 17.2% and it declined compared to 31 December 2006 when the capital adequacy ratio was 18.3% (the minimum legal requirement is 8%).

Exchange rate risk to which banks are exposed as a result of the currency difference in their balance position is relatively low. Almost all banks fit within the frames of the prudential limits to open foreign currency positions. Other market risks have marginal share in the spectre of risks the banks face. Banks have insignificant trading portfolio having in mind the insignificant activities related to the operations in securities and other activities that generate market risks.

Strengthening of the capacity of bank supervision plays an important role in increasing the stability of the banking sector. The National Bank of the Republic of Macedonia, as a regulatory body of the banking sector, plays this role on the basis of the provisions under the Law on the National Bank and the Law on Banks. The activities of the National Bank in the area of strengthening the bank supervision are aimed at completion of the bylaws on the basis of the new Law on Banks, as well as at successful implementation of the risk-based supervision plan.

Reforms in the banking sector run continuously and are in an advanced stage. The new Law on Banks was adopted in early June 2007. The EC Peer Assessment Evaluation Mission on Financial Services Issues gave a very positive evaluation of the adoption of the new Law on Banks pointing that this is an important step towards the implementation of the European regulation and strengthening of the regulatory framework for the banks in the Republic of Macedonia. The new Law on Banks will further strengthen the shareholder criteria with a possibility for the National Bank to sell the shares of a shareholder who no longer meets the shareholder criteria or who has acquired a qualified share without prior approval from the National Bank, strengthening of the corrective measures that can be imposed on a bank by the National Bank, greater efficiency for the procedure for exit of a bank from the banking system. The Law, as well as the respective bylaws also ensure further strengthening of prudential standards, promotion of corporate governance of banks, by strengthening the role and the responsibilities of the management bodies, the

⁴ The most recent data is from 30 June 2007.

⁵ GDP as of 31 December 2006.

internal control systems, the risk management, the role of the external auditor, enhancing the transparency in the performance of financial activities, strengthening the accounting standards, etc. The regulation on strengthening the market discipline of banks, as well as the provisions on risk management in accordance with the type and the scope of the bank activities, steps are undertaken for approximation to the new Basel Capital Accord.

In parallel with the achieved progress in the area of regulatory framework, there are intensive activities for realisation of the Banking Supervision Development Plan. The Banking Supervision Development Plan envisages transition from a supervision oriented towards evaluation of compliance with the regulations towards risk-based supervision and risk management. The realisation of the Plan is aimed at implementing the second pillar of the New Capital Accord (Basel II). The Supervision Development Plan was adopted by the National Bank in January 2006, and its implementation started in May 2006, following the commencement of operations of the consultant engaged by the IMF. The methodologies and procedures adopted by the Steering Committee with May 2007 inclusive were subject to testing in on-site supervisory controls of one big and two-medium-sized banks. The preparation of methodologies and procedure ended in 2007 and they were formally adopted by the Governor of the NBRM in January 2008. Also, a list of indicators was adopted as early warning signals for banks.

The implementation of the plan is expected to be completed by end-2009.

CHALLENGES FOR THE BANKING SECTOR

Financial intermediation in the Republic of Macedonia, despite the upward trend in the past few years is still low, but it leaves space for further increase. The higher scope of activities of banks, as well as significant space for further increase of the financial intermediation is expected to attract renowned foreign financial institutions to enter the banking sector in the Republic of Macedonia. This is expected to additionally intensify the upward trend of the share of financial institutions in the ownership structure of the banking sector.

Market liberalisation, through the possibility for entry of branch offices of foreign banks is a solid basis for major intensification of activities in the banking sector. Also, the banking sector will have to be properly prepared for the challenges brought about by the future liberalisation of the balance of payment capital account. On the short term (inclusive with March 2008) the NBRM should complete the voluminous secondary legislation arising from the Law on Banks. In this process, attention will be paid to the application of the recently adopted accounting regulation based on International Financial Reporting Standards (within a timeframe of approximately 1 year).

The next important step is the implementation of the new capital accord. One of the main challenges for the NBRM in the implementation of Basel II is ensuring a proper balance between the three basic components of this significant regulatory framework, ensuring the necessary level of capitalisation of banks, strengthening the risk management systems and enhancing their efficiency.

2.2 CAPACITY TO COPE WITH COMPETITIVE PRESSURE AND MARKET FORCES WITHIN THE EU

SUFFICIENT HUMAN CAPITAL

Priority objectives of the development of the Macedonian human resources are the following:

1. continuous investment in development of the educational process
2. improvement of the conditions in schools and universities and continuous investments in the educational institutions
3. improvement of the legal framework on life-long learning and flexibility and mobility of the labour force
4. increasing the research and its continuous support
5. support to the process of informal education and mobility of youth.

Modern education is aimed at improvement of quality, and not only of quantity of human resources. Efforts are also made to improve not only the knowledge, but also the skills of the students in the process of education. A government priority for fulfilment of the objectives is implementation of activities for improvement of quality of education and training, which will increase the opportunities for young people to find employment after completing their education.

As from this academic year, the nine-year primary education started. The new curricula envisage that even during the primary education, each student will have to get acquainted with other cultures and civilisations and to master two foreign languages, one of which is English. To this end, the English language was introduced in first grade and a second foreign language in sixth grade. The establishment of the VET centre is the most significant step for development of the high-school vocational training. The Centre for Vocational Education and Training harmonises and integrates the national interests and the interests of the social partners in vocational education and training in the Republic of Macedonia. It also coordinates the cooperation between the international institutions and organisations in the field of vocational education and training. A Council for Vocational Education and Training was established as the highest advisory body that would create strategic policies in the vocational education and training.

Representatives of government bodies, social partners (the employers and the trade union) of the Association of Local Self-Government Units and from the Employment Agency participate in the Council. The Centre should contribute to creation of professions that are needed on the labour market in their local environment and in the Republic of Macedonia.

A national framework of qualifications and Law on Lifelong Learning is in the process of preparation. The Law will provide the possibility for each person to have the right to acquire and expand knowledge, skills and abilities, necessary for free development of persons and for free choice of profession. The objective of lifelong learning is to keep and preserve the positive and active approach to learning at all ages during the whole life.

Establishment of State Examination Centre: the objective of the State Examination Centre will be ensuring quality of the education in the Republic of Macedonia through valid, reliable, practical and internationally recognised system of evaluation and exams.

The Republic of Macedonia participates in the EC Seventh Framework Programme as full partner. A Memorandum for Cooperation was signed for the Seventh Framework Programme and the "entry ticket" was paid, whereby Macedonian researchers, institutions, organisations etc., will be able to compete so as to acquire projects from the common programme budget. This programme is aimed at projects in the field of research. Stimulation of the scientific-research projects in different areas is necessary. The Seventh Framework Programme established a special unit in the Ministry of Education and Science, to the end of better coordination and promotion of the programme.

Priorities for the Government of the Republic of Macedonia are the Community programmes „Life-long Learning” and „Youth in Action”. The National Agency for European Educational Programmes and Mobility was established for the programmes „Youth in Action” and „Life-long Learning”. The National Agency is an administrative pre-condition for utilisation of these two Community programmes.

The Management Board of the National Agency was selected and a director was appointed. In 2008 intensive efforts will be made to raise the capacities and to fully staff the Agency. An Operational Programme for 2008 was prepared.

The Law on Volunteering was adopted. The contents of the draft Law on Volunteering is harmonised with Article 11 of the Council Directive on the conditions of admission of third-country nationals for the purposes of studies, pupil exchange, unremunerated training or voluntary service (32004L0114).

Analyses were made according to which additional priority investments are made in education, contributing for higher-quality education. The analyses on the number of pupils completing primary education in 2008, the spatial capacities of high schools, the equipment as well as of the need for additional hiring of teaching and other staff in the high schools, determined which municipalities might have spatial problems and measures were proposed to overcome them: certain facilities are being adapted and converted in high schools.

One of the major tasks being realised in the previous and during this year is the state matriculation exam. In December 2007 the third pilot matriculation exam was held in all high schools in the Republic of Macedonia, whereas the procedures, instruments and software are tested.

In order to modernise the studies in the primary and secondary education, the Government of the Republic of Macedonia under the project "Computer for Each Student", purchased 100,000 computers. The computers will be distributed in the high schools by April 2008 and in the primary schools by end-2008. The computers will not be used only for the subject of Informatics, but in all classes.

To the end of raising the capacity of human resources in the tertiary sector and their increased realisation into human capital, in the period 2006 – 2007, two state higher educational institutions were established, University "Goce Delcev" in Stip and the Faculty of Administration and Management of Information Systems within University "St. Kliment Ohridski" in Bitola. The commissions established by the Government of the Republic of Macedonia made the necessary preparations for these two higher educational institutions to become operational, and they started working in October 2007/2008.

The Proposed Law on Higher Education contributes to specific normative implementation of the principles of the Bologna Declaration, in particular with respect to the following: adoption of a system for easily recognisable and comparative degrees of education; introduction of curricula in three cycles; evaluation of curricula with credit points, such as the ECTS; introduction of a mandatory obligation for the higher educational institutions to issue diploma supplements; introduction of EU-oriented modules, courses and curricula, and curricula for joint degrees; the provision of mechanisms for encouraging employment of graduated students on the European labour market, such as life-long learning; upgrading the established system for ensuring quality by including representatives of the students, employers and social partners; introduction of international dimension in the evaluation processes through participation of foreign experts and associations in the evaluation; inclusion in the European Network of Quality Assurance – ENQA, as well as harmonisation with the standards and guidelines on quality assurance in the European Higher Education Area; creation of normative-legal assumptions on new organisational structure of the state universities and their transformation into integrated universities, being functionally and organisationally connected to the faculties within their composition.

The adoption of the new Law will impose the need for adoption of new bylaws and other general acts.

In the course of 2007, an Operational Plan for Active Measures for Employment for 2007 was realised, the goal of which was integration of certain categories of unemployed persons (young persons up to 27 years of age, single parents, parentless children, persons with special needs, engagement of long-term unemployed persons with low qualifications, encouraging self-employment and increasing the scope of training for a known employer) in the labour market. Following the positive experience in 2007, the Government of the Republic of Macedonia, within the framework set in the National Employment Strategy and the National Action Plan on Employment, plans to realise the Project for Self-Employment, starting in 2008.

The Project will provide credit funds for unemployed persons interested in starting their own business, as well as for persons wanting to expand their business by opening new vacancies. This measure will have a positive effect for reducing the grey economy and encouraging its transition into legal economy. The programme on self-employment envisages favourable credits and educational and technical support to starting businesses, which are to be related to the registration of the business activity.

The realisation of the Project for Self-Employment will create conditions for unemployment reduction and improvement of the living standard. The project will contribute to opening new enterprises, job creation, export increase, more balanced regional development and other positive effects. Positive effects are also expected in settlement of the problem of the bankruptcy employees and the persons having been discharged due to redundancy. In addition, development of micro and small-sized enterprises will be encouraged, which significantly contribute to job creation and are one of the most important driving forces to economic growth.

The IPA Operational Programme was prepared in 2007 pertaining to development of human resources, envisaging medium-term projects aimed at job creation, which are to be implemented within frames of the following measures: modernisation of the Employment Agency of the Republic of Macedonia; support to the Employment Strategy and Joint Document on assessment of the employment policy priorities; transfer from informal to formal economy; handling the situation with young people, women and long-term unemployed persons on the labour market.

SUFFICIENT QUANTITY OF PHYSICAL CAPITAL

Strategic goal of the Republic of Macedonia is development of the infrastructure and its regional connection in the energy sector, transport sector, and other sectors. This would lead to safe and economic development of energy, transport and telecommunications, whereas the supply safety, safety of the population, rational usage of energy and environment protection will be accordingly taken into account. By ensuring cheap transport, better communication and better access to clean and cheap sources of energy, the infrastructure sectors will contribute to increase in productivity, and accordingly, to increase of the country's international competitiveness.

To attain this objective, a set of coordinated policies and measures are being prepared and implemented. The objective of the country is to implement the projects including a regional component, which will lead to improvement and modernisation of the pan-European corridors VIII and X.

Corridors X and VIII are strategic economic priorities that will enable the Republic of Macedonia to develop from a geographical into a real traffic crossroad on the Balkans. The strategic importance of these trans-national axes is that they contribute to faster and safer common communication and transport of passengers and goods, which leads to economic security and stability.

This will open the doors of the Republic of Macedonia for better cooperation with the neighbouring countries and broader cooperation with the EU Member States in all segments of the economy. Their common feature is the greater commercial approach towards development of the infrastructure sectors. Commercialisation of infrastructure services covers all reforms that stimulate the business approach to these activities.

For the purpose of successful implementation of these reforms, gross investments in the Republic of Macedonia are envisaged to increase from the present level of 21% of GDP to approximately 25% of GDP by 2010, as a result of the structural reform programme mainly aimed at improvement of the business climate in the country. Public investments account for a significant 3.7% of GDP in the total investments. A large share of the investments in the public sector are aimed at the infrastructure sector in order to strengthen the infrastructure connections with all neighbouring countries, since they would contribute to successful integration of the Republic of Macedonia into the EU.

On the basis of the database for the Public Investment Programme, and according to the priorities set out by the Government of the Republic of Macedonia, a significant number of infrastructure investments are expected to be realised in the period 2008-2010.

Financing of these projects will be realised according to the possibilities for further indebtedness of the country, indicated in the Public Debt Management Strategy, from the international financial institutions, as well as the domestic budgetary funds being annually projected for co-financing of foreign loans and credits.

The Government of the Republic of Macedonia adopted a decision for selection of a consultant team by means of an international tender, which is to propose a model for granting concessions for part of the road infrastructure along Corridors 10 and 8, as well as spur track 10d in the Republic of Macedonia. A consultant company has been selected and, by April 2008, it is to submit a draft study for awarding under concession a part of the road infrastructure in the Republic of Macedonia (covering the following roads: all sections in Corridor 8 which are not highways – Kumanovo-Deve Bair, Gostivar-Kjafasan, as well as Stenkovec-Blace, Bitola-Ohrid and Veles-Delcevo).

The Government of the Republic of Macedonia decided to introduce the concession model for the two airports managed by PEAS (Public Enterprise for Airport Services) Macedonia. To that end, the Ministry of Transport and Communications announced an international restricted invitation for selection of a consultant, and selected NACO (Netherlands Airport Consultants B.V.) as the best bidder, with which an agreement was concluded. The time period for which the consultant is engaged to perform the overall studies is 6 months (2+4) and it comprises two stages. The first stage covers the preparation of a development Concession Study, and the second one covers the preparation of tender documentation for concession pursuant to the national legislation. The objectives of the project are to renew and expand the existing airports, as well as the level of international services. The consultant prepared the model for modernisation of both airports, and a tender for selection of airport operator (concessionaire) will be announced in the first quarter in 2008.

Regarding the transport sector, public investments in the period 2008 – 2010 will be aimed at road and railways sectors. Regarding the roads, the completion of Corridors VIII and X remains to be a top priority. This stage includes the construction of Skopje ring road, a project worth EUR 120 million, being jointly financed by the EIB, EBRD and the Funds for National and Regional Roads. The extension of E-75 at the section Smokvica – Gevgelija, funded by the EBRD, is already completed.

Construction activities are envisaged for the following sections of Corridor X: Demir Kapija - Udovo, Udovo – Smokvica, Tabanovce – Kumanovo, Bitola – Megitlija, as well as all Corridor 8 sections, where construction works have not been started yet. The Hellenic Plan for Economic Reconstruction of the Balkans (HiPERB) places special emphasis on completion of the pan-European Corridor 10, i.e. completion of the sections in the Republic of Macedonia for which there is no road solution: Demir Kapija – Smokvica, at the same road direction, covering approximately 28.5 km in total length. Funds from the HiPERB, IPA Component 3 on regional development and loans are to be used for financing the project.

Regarding the Kumanovo-Tabanovce section, the negotiations with the World Bank are completed. A Loan Agreement has been signed with the World Bank in the amount of EUR 15 million. Commencement of the construction of the highway long 7.3 km is in the process of preparation.

The completion of these sections at highway level is expected to contribute to safe and quality transport, which will provide improvement of the traffic flow, as well increase in trade, transport of passengers and goods and general improvement of the social and economic development in the country.

The realisation of the second stage of the railway reforms is in progress, by preparing a Study for determining the fee for usage of railway infrastructure, Study for transportation services of passengers and Study for downsizing staff and operating costs, financed under the World Bank credit. The selection of a consulting company is in preparatory stage, which is to prepare the Study on Privatisation of the Transportation Company, will start to be realised in the course of 2008. In July 2007, the Government of the Republic of Macedonia adopted the National Programme on Railway Infrastructure for the period 2008-2012, which allocates budget funds for capital investments and regular investment maintenance.

Investments in the railway will be aimed at revitalisation of the railroad track Tabanovce - Gevgelija (Corridor X) and improvement of signalling system and telecommunications along Corridor X.

Investment priorities in the energy sector are the following: electricity generation by opening a new coal mine in Brod – Gneotino; construction of 2 large and around 400 small hydro power plants according to the concession model; construction of combined heat and power plant.

Priorities in the energy sector also include investments aimed at energy connection with the neighbouring countries. Thus, the construction of 400 kW long-distance power lines Stip – Cervena Mogila (Bulgaria) and Bitola – Lerin (Greece) is of great importance, since it will increase the stability of the electricity system in the Republic of Macedonia.

ADEQUATE SECTORAL STRUCTURE AND ENTERPRISE STRUCTURE

The service sector in 2007 was the driving force of the intensified GDP growth, which accounted for 5.5% in the first half of the year. The projected 6.0% GDP growth in 2008 is also based on the intensified growth of the service sector (trade, transport and communications, financial intermediation).

The share of the production sectors (industry and agriculture) in GDP growth in 2007 and the projected one for 2008 will be relatively lower compared to the service sector. It points out to the fact that restructuring of the Macedonian economy is being realised, by strengthening the service sector, which is even more promoted as a driving force of the intensified growth.

The active policies of the Government on the medium term by 2010 are expected to contribute to dynamic development of the service sector, in conditions of growing competition, realised through liberalisation of the service market. Dynamic development of the IT sector will create conditions for more dynamic development of the knowledge-based economy and innovations-based economy.

The production sectors will be supported by active policies for increase of competitiveness, on the basis of implementation of medium-term strategies.

To the end of ensuring greater competitiveness of the industry, more dynamic growth and development, activities have been commenced pertaining to development of an integrated industrial policy in the Republic of Macedonia by:

1. preparing a Study for measuring the indicators of competitiveness of the Macedonian industry
2. developing a Strategy for Industrial Policy; and
3. increasing the possibilities for the administration for development and implementation of measures on industrial policy

Activities will be implemented in several stages, part of which was realised in 2007, and the other part is to be realised in 2008, as follows:

1. Benchmarking study was prepared in 2007 aimed at positioning and setting the role of the industrial policy creators and implementing agencies in the Republic of Macedonia, inter-institutional cooperation and improvement of the administrative capacity.
2. Study for measuring the indicators of competitiveness of the Macedonian industry will be prepared in 2008 – establishment of a measurement and evaluation system to provide regular monitoring of the international position of competitiveness.
3. Strategy for Industrial Policy will be adopted in 2008 as a unique document to define the short- and long-term priorities for implementation.
4. Realisation of the National Programme on Restructuring the Steel Industry will continue in 2008.

Within the frames of the three year programme 2008-2010, development of clustering will continue through the operations of the existing clusters, establishment of new ones and their internationalisation.

A Strategy on Restructuring the Textile Industry will be implemented in 2008. Restructuring of the textile industry will cover the areas being identified as obstacles to development, those being the following: market development; commercial infrastructure; technological development; human resources development.

State influence on the competitiveness (through trade policy, competitiveness policy, state aid, FDI and support to small- and medium-sized enterprises)

The Increase of the competitiveness of the Macedonian economy is more and more becoming the centre of different and complex activities, promoted by governmental policies and regulatory reforms. The business competitiveness depends on the basic micro-economic conditions, which define the current sustainable level of productivity of the country, according to the concept that the wealth is actually created on micro-economic level and that relevant state policies can stimulate or prevent the productive behaviour of the enterprises.

The trade policy of the country is a factor of competitiveness of the economy. The 2006 Transition Report of the European Bank for Reconstruction and Development (EBRD), published in November 2006, presents the reform indicators for 29 transition countries. The indicators take into account the achievements of the transition countries by areas, where 1 stands for small or no changes compared to the centrally planned economy, and 4+ stands for attained standard of market economy.

Out of nine areas covered by the report, Macedonia holds two highest rank positions for achieved standards of market economy, evaluated with 4+. These areas pertain to trade and foreign exchange system and price liberalisation. With respect to these two areas, ranked with achieved standard of market economy, the Republic of Macedonia is assigned the same indicators as ten transition countries – EU Member States – Bulgaria, Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

The enforcement of the Stabilisation and Association Agreement with the EU, the multilateral trade agreement of the South-eastern European countries – CEFTA 2006 and free trade bilateral agreements are elements of development and enhancement of the trade policy, aimed at strengthening the competitiveness in the upcoming period.

The 2007 Competition Protection Policy was aimed at ensuring higher level of free competition on the domestic market. For the purpose of strengthening the legal framework for competition protection, the following laws were adopted: Law Amending the Law on Competition Protection pursuant to which the Commission for Protection of Competition became competent in pronouncing misdemeanour sanctions to the persons violating the provisions in the Law on Competition Protection, as well as guidelines for enforcement of the Law and decrees. The guidelines were announced and distributed to the legal and business community, as well as to the wider public.

Inter-institutional cooperation between the Commission for Protection of Competition and the bodies competent in regulating certain sectors was strengthened in 2007. The Commission signed a Memorandum for Cooperation with the Agency for Electronic Communication, the Energy Regulatory Commission and the Broadcasting Council. The Draft version of the Memorandum for Cooperation to be signed with the Public Procurement Bureau soon was also prepared.

In 2007, the Law on State Aid was amended to provide a legal basis to regulate the rules and the procedure for awarding horizontal aid. The Decree to govern the awarding of horizontal aid was adopted in December 2007. In addition, the Decree on Establishing Conditions and Procedure for Granting Aid for Rescuing and Restructuring of Enterprises Facing Difficulties was amended to the end of its full harmonisation with the European legislation.

The Commission for Protection of Competition prepared partial inventory for the awarded state aid for the period 2001-2006. The state aid awarded by several government institutions, not being timely notified, was approved retroactively. The Commission adopted 23 decisions on compatible state aid in the period 2001-2006, 4 decisions for 2007 and 9 opinions upon request by state aid providers. What is of special importance is the fact that other government institutions also observe the Commission decisions. The Commission increased the level of transparency and accountability in its operations by publishing the adopted decisions in the Official Gazette of the Republic of Macedonia and on its website.

The realisation of the following measures is envisaged in the period 2008-2010:

- employment of 2 persons in 2008;
- training of the employees in the Sector for State Aid Control, the members of the Commission for Protection of Competition and appointed persons in the bodies – state aid providers within the BERIS Project, the GTZ Project and TAIEX seminars;
- harmonisation of industrial policies with the rules in the field of state aid;

To the end of presentation and promotion of the new 2007 proactive investment policy of the country, the system for strengthened institutional and personnel capacity (Team Macedonia, two ministers for foreign investments, the Ministry of Economy – Sector for Industrial Policy and Investments, the Agency for Foreign Investment of the Republic of Macedonia – Invest Macedonia, the Directorate for Technological Industrial Development Zones, the Development and Investments Agency, appointment of the first five economic promoters for separate countries) was established, and cooperation with non-governmental institutions, included in the investment-related activities, was realised.

Realisation of the new *Programme for Stimulating Investments in the Republic of Macedonia for the period 2007-2010*, which the Government of the Republic of Macedonia adopted in June 2007, contributed to operationalisation of specific activities and measures covered in the Action Plan for the Programme for each year by 2010.

The proposed measures are complex (legal, institutional, financial, educational, programme, feasibility studies, etc.), assigned to specific implementing agencies with set dynamics for their realisation. The Programme focuses on 10 components, defining the following: 84 barriers to be eliminated, 126 objectives and 270 measures for improvement of the investment climate in the Republic of Macedonia.

It is deemed that the undertaken reforms for improvement of the business climate and the offensive promotional activities will contribute to intensification of foreign direct investments in the medium-term.

The Government Programme envisages for the Agency for Foreign Investments - Invest Macedonia to be the sole development and investment agency in the Republic of Macedonia. The Agency, under full support by the Government and international institutions, actively works on promoting Macedonia as an attractive destination for investments, as well as on attracting potential foreign investors in the country. For the purpose of more successful performance of its function, in addition to the local office, a comprehensive network of representatives will be established in several countries throughout the world. Therefore, a selection

procedure for investment promoters of the Republic of Macedonia is in progress in several countries throughout the world. It is planned to select 23 promoters and to be deployed in 21 countries. Three promoters have already been selected.

The main priorities and tasks of the Agency in 2008 are the following: quality and quantitative development of the Strategy for Attracting FDI and preparation of sectoral studies; financial and staff strengthening of the Agency; creating the image of the country and promotion of investment opportunities for the potential foreign investors; provision of highly-professional services to the investors in the process of pre-investment, investment and reinvestment; monitoring and evaluation of the investment development.

The Agency for Promotion of Entrepreneurship of the Republic of Macedonia participates in the realisation of the Active Employment Programme, which provides vouchers in the amount of approximately EUR 2000 for commencement of the realisation of approximately 500 business plans, selected from 2,500 applications.

The Third stage of the project – Fund for Development of Human Resources in Enterprises – started its realisation in January 2007 and will last by the end of 2008. So far, approximately 300 managers from the Macedonian enterprises have been trained. In addition to the training for the companies, "train the trainers" was organised by foreign experts, covering approximately 20 senior trainers, as well as 12 junior trainers, titled as "Academy for Junior Trainers". Training of the first ten junior trainers was completed, and they acquired trainer certificates. To the end of integrating the entrepreneurship as a key component of the secondary education policy, entrepreneurship became a regular subject in the curricula in secondary schools.

At the beginning of 2008, the Government of the Republic of Macedonia will commence implementing the "Top Management" project. The project will be realised in a period of 2 years, thereby selecting approximately 200 Macedonian managers, they will be trained in management skills and get practical training in successful world companies in the developed countries. During this period, they will be provided the opportunity to acquire expertise in line with the contemporary management standards and principles imposed by the modern market. The objective of the project is to increase the productivity of the Macedonian labour force, as well as competitiveness of the Macedonian economy.

Two new incubators have been established. "Youth Business Incubator" was established in Skopje, and Incubator – "Centre for Business Support" was opened in Bitola.

Training of various target groups (unemployed, women, youth, etc.) is carried out through the Regional Centres, as well as promotion and awareness raising in ICT and introduction of quality standards.

Support for development of the SME sector in 2008 will be aimed at more efficient operations with small-and medium-sized enterprises and support to strengthening the competitiveness and innovations through:

- strengthening the institutional infrastructure by financing the activities of the Agency for Promotion of Entrepreneurship of the Republic of Macedonia, co-financing for new business centres, the SME Observatory, the SME Forum, the Info Desk - project in cooperation with the regional centres for business support, IRC co-financing, co-financing the Fund for Human Resources Development.
- improvement of business environment and access to SMEs funding will be realised through changing the credit guarantee scheme (Guarantee Fund); establishment of Credit Info Bureaus; training in alternative ways of financing.
- improvement of SMEs competitiveness and innovations will be realised through: co-financing of clusters, co-financing of new business incubators, co-financing the costs of the regional centres for projects with non—financial support to SMEs, voucher counselling system, entrepreneurial awards, entrepreneurial education, EU Day of Entrepreneurs, raising awareness for ICT, campaign for introduction of quality standards, scientific and innovative connection, international scientific cooperation and raising awareness in rights to intellectual property.

SIGNIFICANCE OF INFORMATION AND COMMUNICATION TECHNOLOGY FOR THE ECONOMIC DEVELOPMENT

The application of information and communication technology (ICT) directly stimulates the increase in productivity, which, on the other hand, is a pre-condition for GDP growth. At EU level, 25% of GDP growth and 40% of productivity growth is a result of the ICT application.

Sustainable economic growth is a benefit from the development of information society, but, at the same time, it stimulates this process. It is an important factor in the early stages, when the critical mass of interested participants is created, dedicated to the development of information society in the Republic of Macedonia.

The ICT is ensured by globalisation, i.e. the possibility to promote the local market at global level, i.e. equal participation in the globally networked economy.

Access to ICT technologies ensures balanced economic development throughout the territory of the country, i.e. polycentric development that contributes to good decentralisation of the local self-government units, building transparent and accountable local administrations, which as an ultimate result culminates by direct reduction of inequality, unemployment, as well as gradual decrease of the digital gap inside the country. At the same time, it leads to relativisation of borders and increase of cooperation and dialogue within the European regions.

ICT technologies provide for connection of individuals, small and medium-sized enterprises, farmers or craftsmen in poorer and extremely isolated parts of the country, ensuring equal promotion of all on the common national and global market.

At the moment, 30% to 40% of the population in most of the EU countries is excluded from the advantages of the information society. In the case of Macedonia, this number reaches 50%-70% (according to many surveys, only 50% of the population use computers, and only 30% use the Internet). This part of the population faces potential serious repercussions regarding the employment and social integration opportunities. With respect to Macedonia, the economic future of the country, i.e. transition towards a knowledge-based society, depends on the inclusion of this group of people in the new information society. Therefore, Macedonia awaits the process of mass digital education.

To the end of preventing further deepening of the digital gap, the Government of the Republic of Macedonia is strongly committed to ensuring conditions for fast development of the economy to the end of attaining, in a short period of time, the level of development of the economies of the new EU Member States and inclusion of the Republic of Macedonia in the globally networked economy.

The need for the Republic of Macedonia to make the quantum leap in the development of the ICT sector also requires reviewing and applying new innovative solutions, which are to create conditions for realising the envisaged leap. Therefore, the Government of the Republic of Macedonia adopted the National Strategy for Development of Electronic Communications with Information Technologies (NSECIT) in 2007, which contains new innovative solutions and measures, and their efficient, effective and pro-active implementation is expected to ensure fast development of the ICT sector. The Government of the Republic of Macedonia defines the strategic European orientation in the National Strategy for Development of Electronic Communications with Information Technologies - development of a knowledge-based society (information society), i.e. development of a digital economy.

The National Strategy for Development of Electronic Communications with Information Technologies (NSECIT) is fully harmonised with the priorities and objectives of the i2010 Initiative of the European Union (obligation to create a pro-active ambient and surrounding for support to development of information society). The National Strategy for Development of Electronic Communications with Information Technologies is based on creation of a single information space with an open and competitive market of access to ICT and digital contents; encouraging investments in research and development of ICT as a driving force for development of a digital society, and creating an inclusive information society.

In general, the mission of NSECIT is to include the economy of the Republic of Macedonia in the global map of networked economies, to create conditions for leapfrogging in the development of the economy through aggressive introduction and mass efficient application of electronic communications and information technologies, which will enable Macedonia, in the upcoming 5 years, to come closer to the average of the new EU Member States, measured according to all more significant indicators, both ICT indicators and pure economic indicators.

Efficient and effective introduction of the information society in the Republic of Macedonia depends directly on the level of development of the communication infrastructure and technologies, as well as on the level of utilisation of services and contents.

Level of development of the communications infrastructure depends directly on the process of liberalisation and development of electronic communications markets, and thus the policies of the Government of the Republic of Macedonia, arising from NSECIT, pertaining to the future development of information society are fully aimed at support to the development and the process of liberalisation of electronic communications, services available to all as cost-based prices, mass usage of broadband Internet.

In addition to development of competition and entry of new operators, the necessary infrastructure will be established so as to provide for smooth, quality, safe and timely delivery of digital contents and services of the information society.

2010 imposes for the EU, in the upcoming several years, to attain positive growth and to overcome the broadband gap on geographic and economic level, as well as at the level of attractive digital contents and e-services. Taking into account the initial lagging behind, the Republic of Macedonia has to make additional efforts, and with significantly increased speed, to achieve the increase of the broadband penetration, and thus NSECIT puts special emphasis on the development of broadband fast communication networks.

Comparison of data obtained from research show that, in the most optimal conditions, only 1/3 of the citizens in the Republic of Macedonia use Internet (without any limitations to the access – from home, work, Internet café, school, university, mobile device). Taking into account the measurement of the indicator for "Internet penetration" according to the EU standards, one can conclude that this percentage of Internet users is being additionally reduced. This means significant lagging behind compared to the increase of Internet users within the EU.

The advantages of broadband Internet access in the EU is based on the application of the following: telemedicine and e-health (rural medical centres which engage top experts when necessary, immovable patients and on-line monitoring, distant diagnosing), e-Government (essential decentralisation and e-democracy), e-education (life-long informal learning, portals for e-learning, e-diary, distance learning at universities throughout the world), rural development (e-agro business applications, tourism, ICT resource centres and e-points) and e-business.

Redistribution of knowledge and capital as essential decentralisation will be possible only if competition on the broadband market is supported legally and in terms of infrastructure throughout the entire territory of the Republic of Macedonia.

From the point of view of using services, development of broadband networks has a crucial role, through policies that will stimulate the demand of various types of services of information society. These policies can provide for financial stimulations, improvement of government services through e-government, e-health, e-education, education of citizens, development of innovative public services, provision of a system for protection and confidence, connection to public administration, schools, hospitals, small and medium-sized enterprises, etc.

The differences in economic performances between the countries are, to a great extent, caused by the level of investments in ICT research, development and utilisation. One of the priorities of the Government of the Republic of Macedonia (defined in NSECIT) is investments on research and development of information and communications sector for encouragement of economic growth and job creation. Thus, it is necessary to ensure financial assistance, and the best model therefore is the establishment of a Fund for Development of Information Society by the Government of the Republic of Macedonia.

TRADE INTEGRATION WITH THE EU

The indicators of trade cooperation, between the Republic of Macedonia and the EU in 2007, show that it has improved significantly. It speaks in favour of the conclusion that both the level and the dynamics of trade integration of the county with the EU show an increase.

The analysis of the volume of foreign trade of the Republic of Macedonia in the period 2004-2006 shows that trade increased by 32.3%. Export surged by 41.6%, while import increased by 26.9%. Such trends caused for the share of export in the total foreign trade to increase from 36.4% (2004) to 39% (2006), the share of deficit in the total trade to drop from 27.2% (2004) to 22.1% (2006), and import coverage to surge from 57.2% (2004) to 63.8% (2006).

Positive trends in trade, which are indicators of the competitiveness of the Macedonian economy, also continued in the first 9 months in 2007. Export share increased to 41%, deficit dropped to 17.9%, and import coverage surged to 69.6%.

Trends in foreign trade with the most important trade partner, the European Union, are still favourable, pointing out to strengthening of the competitive position of the Macedonian economy on the market in the EU-25 and EU-27. In the period 2004-2006, trade with the EU-25 increased by 21.7%, export by 37.1%, and import by 11.7%.

As a result of the threefold growth of export than the growth of import, the share of import in the total trade increased from 39.6% (2004) to 44.6% (2006) and 48.7% (2007) respectively, the share of deficit dropped from 20.9% (2004) to 10.9% (2006) and 2.5% (2007) respectively, and import coverage surged from 65.5% (2004) to 80.4% (2006) and 95.0% (2007) respectively.

Data pertaining to the EU-27 are similar, trade increased by 22.5%, export by 43.9% and import by 10.4%. The share of export in the total trade increased from 36.2% (2004) to 42.5% (2006) and 48.0% (2007) respectively, the share of deficit declined from 27.7% (2004) to 15.1% (2006) and 4% (2007) respectively, and import coverage increased from 56.6% (2004) to 73.8% (2006) and 92.3% (2007) respectively.

The highest share in total foreign trade goes to the EU-25 (EU-27), the SEE countries and the developing countries. The share of the EU-25 in total foreign trade ranges from 48.3% to 52.5% (EU-27 from 55.6% to 60.6%). The share of SEE countries in total foreign trade ranges from 18.5% to 27.1%, while the share of the developing countries ranges from 13% to 19.5%.

The share of export of the two main economic groups the EU-25 and the EU-27 and the SEE countries increased from 89.2% (2004) to 93.9% (2006) and 95.2% (2007) respectively, while the share of import decreased from 72.2% (2004) to 63.6% (2006) and 61.6% (2007) respectively.

The relative share of the EU-27 in total deficit dropped from 40.2% (2004) to 23.8% (2006) and 7.1% (2007), and regarding the EU-27, it declined to 12.7% (2007).

The most significant trade partners from the EU-27 in export are Germany, Greece, Italy and Bulgaria, with total share in total export to the EU-27 was 75.2% (2006) and 66.5% (2007) respectively. In 2007, important partners were also Spain (9.3%) and Belgium (8.2%).

The most significant trade partners from the EU-27 in import are Germany, Greece, Bulgaria, Italy and Slovenia, with total share in total import from the EU-27 of 65.1% (2006) and 65.2% (2007).

The increase in export to the EU-27 (2006/2004) was higher than the average (43.9%) in the following sectors:

1. mineral oils, lubricants, etc.	441.0 %
2. raw materials, excluding fuel	178.6 %
3. chemical products	86.4 %
4. beverages and tobacco	80.6 %
5. products sorted by material	68.3 %
6. food products	47.4 %

Intensified increase of export in six sectors points out that on the medium term it can be expected for the volume and structure of Macedonian export to the EU to improve.

Increase in import from the EU-27 (2006/2004) was higher than the average (10.4%) in the following sectors:

1. various finished products	60.1 %
2. products sorted by material	60.0 %
3. raw materials, excluding fuel	50.1 %
4. chemical products	21.7 %
5. beverages and tobacco	18.4 %

The process of increasing the number of export sectors, recording a tendency of above-average growth, being driving force of export in the EU, shows a trend of diversification of the export competitiveness of the Macedonian economy. Especially worth mentioning is the trend of the food products sector, which appears among the main export sectors to the EU, which has large investment and export potential, and which is expected to grow even more in competitive export on the medium term.

There are real parameters to predict that positive trends in trade of the country with the EU-27 and globally will also continue in 2008 and in the medium-term.

3 ABILITY TO ASSUME THE OBLIGATIONS OF EU MEMBERSHIP

3.1 FREE MOVEMENT OF GOODS

3.1.1 GENERAL PRINCIPLES

CURRENT SITUATION

In the frameworks of the Regulatory Guillotine, the old regulations that cease to apply with the enactment of the new harmonised regulations were recorded in 2007, as well as the old regulations containing conflicting provisions. The coordinator of the Working Group for free movement of goods is the Ministry of Economy. Within the working group, activities have been initiated for preparation of an Action Plan for conformity with Articles 28-30 of the EC Treaty. Other competent institutions participating in the process are: the Ministry of Health, the Ministry of Transport and Communications, the Ministry of Agriculture, Forestry and Water Economy, the Institutes for Accreditation and Standardisation, the Metrology Bureau, the Ministry of Finance_Customs Administration and other.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In the Republic of Macedonia, it is planned that an Action Plan for conformity with Articles 28-30 of the EC Treaty should be developed by the end of 2008, providing an internal screening of the national legislation and administrative practices with a view to introducing clauses on mutual recognition and on the necessary subsequent amendments aimed at achieving compatibility with these articles of the EC Treaty, as well as drafting a list of conflicting regulations.

INSTITUTIONAL FRAMEWORK

Strengthening the capacities of the Ministry of Economy and the other competent institutions participating in the process such as the Ministry of Health, the Ministry of Transport and Communications, the Ministry of Agriculture, Forestry and Water Economy, the Institutes for Accreditation and Standardisation, the Metrology Bureau, the Ministry of Finance-Customs Administration and other for the conformity verification with Articles 28 - 30 of the EC Treaty.

MEDIUM-TERM PRIORITIES

Implementation of the Action Plan for conformity with Articles 28-30 of the EC Treaty.

3.1.2 HORIZONTAL MEASURES

The legal framework for regulating the areas of accreditation, standardisation, metrology, market surveillance and conformity assessment has been finalised in the Republic of Macedonia. During 2007, the Law Amending the Law on Product Safety (Official Gazette of the Republic of Macedonia No. 63/2007), which was harmonised with the Law on Misdemeanours, was enacted, and provisions were introduced on the procedure for notification of technical regulations and standards. Moreover, the Law on the State Market Inspectorate (Official Gazette of the Republic of Macedonia No. 24/2007) was enacted in 2007. The Law Amending the Law on Trade (Official Gazette of the Republic of Macedonia No. 63/2007) and the Law Amending the Law on Consumer Protection (Official Gazette of the Republic of Macedonia No. 77/2007) were harmonised with the Law on Misdemeanours.

STANDARDISATION

ISRM is working intensively on the fulfilment of the 9 criteria for full membership in CEN and CENELEC.

So far, ISRM is a full member of ISO (International Organisation for Standardisation), and associate member of IEC (International Electrotechnical Commission), CEN (European Committee for Standardisation) and CENELEC (European Committee for Electrotechnical Standardisation). ISRM and ETSI signed a Memorandum of Understanding in the area of telecommunications. Total number of ISRM staff is 13. During 2007, the staff participated in training seminars and workshops on a continuous basis. A procedure started at the end of 2007 to strengthen the capacity of the ISRM staff. On 27 December 2007, open competition was launched for employing new workers as per the Rulebook on the internal organisation of ISRM. At the end of 2007, ISRM had adopted 3146 European and international standards and other standardisation documents as Macedonian ones, of which 2623 are harmonised standards from the New Approach Directives. In the period January 2006 - December 2007, 47 standards were adopted via translation i.e. became available in the Macedonian language. The number of withdrawn both conflicting and inapplicable national standards is 54. Twenty-eight (28) technical "mirror" committees (ISRM TC) of CEN and CENELEC technical committees have been established within ISRM. Out of them, four technical committees are monitoring the work of the "mirror" committees in the European and international standardisation bodies. ISRM has been continuously issuing the Monthly Bulletins where the public hearings and the adoption of the standards are announced, as well as updating the website with current information from the area of Macedonian standardisation. ISRM also carried out several promotional activities: publishing a Leaflet promoting the membership in ISRM and the discounts when buying the standards; publishing and distribution of a poster and a

message on the occasion of the World's Day of Standardisation 14 October; and organisation of two workshops under the title of *"Modalities for more efficient implementation of the Eurocodes as national rulebooks"* and *"Let's work together"*.

ACCREDITATION

The accreditation rules in the Republic of Macedonia are completely harmonised with the European and international standards (EN 45000 series and ISO 17000 series), with the EA, IAF and ILAC regulations and guidelines, and with the European good practice in this area. In November 2007, IARM acquired the status of a full member of the EA at the latter's General Assembly. IARM cooperates with the national accreditation bodies of other states primarily from the region, based on formal or informal cooperation, such as: SA, HAA, ATS, ATCG, ESYD, BAS and BATA. The website of IARM (www.iarm.gov.mk) is regularly updated and all current information in the area of accreditation is made available to the public. The total number of staff is 9. The staff participated in several training seminars and workshops during 2007. A total of 17 conformity assessment bodies have been accredited. The number of applications for accreditation has been significantly growing from day to day.

METROLOGY

The Metrology Bureau cooperates with specialised international and regional organisations (OIML, CGPM, EUROMET, WELMEC) in which the Bureau is representing the Republic of Macedonia. The Metrological Council has been established and operating as an expert advisory body of the Metrology Bureau. Ten bylaws have been adopted in the area of metrology. The Metrology Bureau is the responsible body for the implementation of the Law on Control of Goods from Precious Metals (Official Gazette of the Republic of Macedonia No. 23/95 and 22/07), and 8 related bylaws have been adopted for the implementation of the Law. Mutual Recognition Arrangement (MRA) was signed on 14 November 2007 – international arrangement for recognition of the calibration certificates issued by the national metrological institutes (NMIs), signatories of MRA. There are nine laboratories for calibration of measuring instruments within the Metrology Bureau (laboratory for mass, pressure, length and angle, volume and flow, density, frequency and time, temperature, electrical variables and reference materials), 4 of which are operational. For these, 11 technical science engineers are employed in the Metrology Bureau. By the end of 2007, a total of 98 calibrations have been made.

Capacity strengthening of the Metrology Bureau has been undertaken with new employments in 2007. According to the Rulebook on internal organisation and systematisation dated 29.05.2007, the Bureau has been enlarged in relation to the previous systematisation with a new Department for homologation of motor vehicles. Currently, BM has 28 permanent staff, and new hires are planned to work in the laboratories.

SHORT-TERM PRIORITIES

The following is planned in the area of standardisation:

- Strengthening the staffing capacity with new employees according to the Rulebook on internal organisation and systematisation of the ISRM;
- Securing funds for paying the membership fees in the European and international standardisation bodies;
- Drafting the outline of a standardisation strategy rudiments as a part of the national strategy for introduction and efficient implementation of the legislative measures, and strengthening of the institutional administrative capacities, constituting the infrastructure for quality (standardisation, accreditation, metrology, conformity assessment, market surveillance);
- Development and realisation of a Programme for adoption of Macedonian standards for 2008 (adoption of international and European standards and other standardisation documents with the method of endorsement, reprint and translation, withdrawal of conflicting and inapplicable national standards);
- Accelerating the process of translation of the European standards into Macedonian;
- Strengthening the national technical infrastructure for standardisation by way of establishing *mirror* technical committees the scope of which will cover the scope of work of the technical committees within the European bodies for standardisation (CEN and CENELEC), according to the needs of the Macedonian economy and the initiatives of the stakeholders. The total number of technical committees is foreseen to be 35 by the end of 2008.
- Delivering training on the following topics:
 - Rules and practice of the European and international standardisation;
 - Procedures for preparation and adoption of the European and international standards in the European and international technical working bodies;
 - Notification procedures for all standardisation projects that are planned at national level and standstill procedures;
 - Using software for managing documents and databases.
- Establishing an IT system by procuring a system for managing documents and data bases;
- Maintaining the existing IT equipment and procuring new equipment, as well as licensed operational systems and programs;
- Organising promotional campaigns and thematic workshops and publishing and distributing thematic publications, posters and leaflets with a view to actively involving the business community and the remaining stakeholders in the process of standardisation;
- Publishing of ISRM newsletter and of the Bulletin of adopted Macedonian standards and distribution thereof;

- Establishing a legal and internal framework for protection of the copyright of the MKS publications according to the CEN and CENELEC internal rules on the intellectual property rights.

The following activities have been envisaged in the area of accreditation:

- Accreditation of conformity assessment bodies (laboratories, certification bodies, inspection bodies);
- Becoming a member of IAF, ILAC – international organisations for accreditation;
- Strengthening of the staffing capacity according to the Rulebook on systematisation and organisation of IARM;
- Delivery of training events:
 - a. for evaluators;
 - b. potential clients;
 - c. new accreditation schemes.
- Strengthening the cooperation with the ministries with regard to authorisation/notification of the bodies for conformity assessment, i.e. defining clearly the tasks between them with regard to the procedures for conformity assessment;
- Drafting an Accreditation Strategy as a part of the national strategy for introduction and efficient implementation of the legislative measures, and strengthening of the institutional administrative capacities constituting the infrastructure for quality;
- Strengthening the technical infrastructure of the IARM by way of establishing technical committees;
- Promoting the IARM, organising workshops, publishing brochures and informative papers, continuously updating the web site;
- Procuring/developing Data Management Software;
- Signing contracts for cooperation with the accreditation bodies from the region;
- Applying for membership in the international organisations for accreditation ILAC and IAF.

The following is planned in the area of metrology:

- Finalising the legal framework by way of adoption of bylaws by the Ministry of Economy. The transposition of the Measuring Instruments Directive 2004/22/EC from the harmonised area into a Rulebook on Measuring Instruments will be finalised in 2008, thus completing the legal framework of the technical regulation for the legal metrology with over 50% regarding the volume of work done by the Bureau in the area of legal metrology.
- Becoming an associate member in the European organisation for legal metrology WELMEC.
- Making use of the support provided by UME – the National Institute of Turkey for calibration of the etalons and training of the laboratory personnel of the Bureau.
- Establishing a special focus group within the Technical Committee for interdisciplinary metrology of EUROMET to support the small European national institutes of metrology, one of which is the Metrology Bureau.

MEDIUM-TERM PRIORITIES

The following is planned in the area of standardisation:

- Implementing the national strategy for introduction and efficient implementation of the legislative measures, and strengthening of the institutional administrative capacities, constituting the infrastructure for quality (standardisation, accreditation, metrology, conformity assessment, market surveillance);
- Establishing an efficient system for standardisation in the Republic of Macedonia that will enable monitoring and inclusion into the standardisation system at European and international level;
- Total strengthening of the ISRM staffing capacity;
- Implementation of the European internal rules and procedures for the work of ISRM;
- Strengthening the technical infrastructure – technical committees and working groups of ISRM;
- Adopting minimum 80% of the European standards and withdrawing the conflicting national standards;
- Providing suitable IT and telecommunication equipment, installing it and putting it into full service.
- Establishing notification procedures for all standardisation projects that are planned at national level and standstill procedures;
- Applying an appropriate legal and internal framework of rules on the intellectual property rights for the standards and the standardisation documents.
- Implementing a quality system in ISRM.

The following is planned in the area of accreditation:

- Increased number of accredited conformity assessment bodies (laboratories, certification bodies, inspection bodies);
- Increased number of expert evaluators;
- Signing bilateral cooperation agreements;
- Signing agreements for mutual recognition of the results within EA (Multy Lateral Agreement - MLA);
- Implementing the Strategy for introduction and efficient implementation of the legislative measures, and strengthening of the institutional administrative capacities constituting the infrastructure for quality.

The following is planned in the area of metrology:

- During 2009, it is planned to transpose the sectoral directives from the GAP analysis table and during 2010 to adopt the remaining national rulebooks on categories of measures.

According to the Medium-term Programme for Metrological Infrastructure Development, the following is planned:

- Making maximum efforts in order to benefit as much as possible from the project of PTB – the German Institute of Metrology - for assisting the National Metrological Institutes from the Southeast Balkans to integrate into EUROMET, with participation of the Bureau in regional intercomparisons of the etalons and in projects of the EUROMET technical committees;
- Making use of the support provided by UME – the National Institute of Turkey for calibration of the etalons and training of the laboratory personnel of the Bureau.
- Active participation in the work of the EUROMET technical committees in which the Bureau has appointed contact persons for mass and related variables, for volume and flow, for temperature, for electrical variables and for length;
- Introducing the quality system ISO 17025 in the laboratories of the Metrology Bureau;
- Proclaiming national etalons of the units of measurement (mass, pressure, temperature, density, length, volume, low voltage, resistance);
- Rounding the partnership relations through contracts for verification with the beneficiaries of the metrological infrastructure;
- Making use of the domestic resources, primarily those of the scientific institutions for education intended for a specific purpose and formation of national etalons in areas where the Metrology Bureau has no possibilities for this;
- Active participation to ensuring purposeful utilisation of the resources from the MSTQ component of the World Bank BERIS programme for further equipping and strengthening of the Metrology Bureau.

FOREIGN SUPPORT

CARDS 2006 Regional Quality Infrastructure Project (2007-2008) started in May 2007. The envisaged training seminars within this project pertain to the topics of standardisation, accreditation, metrology, market surveillance, testing-certification-inspection, RAPEX and on the importance and effects of the PECA protocol.

The Business Environment Reform and Institutional Strengthening (BERIS) project, envisaged for a period of three years (2007-2009), relates to the establishment of an efficient system for standardisation and accreditation in the Republic of Macedonia, which will enable approximation and participation in the system of standardisation and accreditation at European and international level, thus contributing to competitiveness of the Macedonian companies on the foreign markets.

CONFORMITY ASSESSMENT (INSPECTION/CERTIFICATION/TESTING)

Conformity assessment is regulated by the Law on Safety of Products, where the Minister responsible for the passage of the technical regulations authorises the interested bodies to perform conformity assessment. Completed accreditation is considered as an assumption for fulfilled conditions for authorising the bodies. There is an inherited system of authorised bodies in the Republic of Macedonia, and they will continue to work for maximum 1 to 2 years (from March 2008 until December 2009), counted from the day of the entry into force of the appropriate technical regulations. In the document entitled "The national policy in the area of accreditation", the Government of the Republic of Macedonia has accepted the accreditation of the conformity assessment bodies as a tool during the procedure for authorisation – notification of the conformity assessment bodies in the regulated area. Accreditation of laboratories and certification and inspection (control) bodies is underway in conformity with the Law on Accreditation and the appropriate international and European standards. Part of them is already in a procedure of obtaining accreditation (more than 15 applications for accreditation). In September 2007, under the Memorandum of Understanding on "transposition of the technical European regulations in the Macedonian legislation", the Ministry of Economy delivered training with the support of GTZ to educate the existing conformity assessment bodies from 6 industrial areas (equipment under pressure, construction products, elevators, machines, electromagnetic compatibility and low voltage) on the new technical regulations that are in force in the Republic of Macedonia and on the adopted European standards as Macedonian standards.

The legal framework for appointment and notification of the conformity assessment bodies has been finalised. The Law on Product Safety represents the legal basis for regulating this area. A Decree on the manner and procedure for authorising the conformity assessment bodies, which is in compliance with the manner and procedure for appointing the conformity assessment bodies in the EC (Official Gazette of the Republic of Macedonia No. 105/2007).

SHORT-TERM PRIORITIES

The conformity assessment bodies are authorised by the Ministry of Economy in accordance with an established procedure for authorisation, pursuant to the Law on Product Safety. In addition, it is planned that a Registry of authorised conformity assessment bodies be established within the Ministry of Economy. In order to carry out the foreseen activities, it is planned to deliver intensive training for the conformity assessment bodies and to disseminate information. It has been agreed to deliver training for the existing conformity assessment bodies in other industrial areas in January 2008. The purpose of the activities undertaken in this area is to

enable conditions for conformity assessment by the Macedonian bodies for such purpose, whose certificates will be recognised on the European and the international market, and to create conformity assessment bodies that will work according to the criteria listed in the series of standards ISO 17000 and EN 45000, and whose competence will be confirmed with an Accreditation Certificate.

MEDIUM-TERM PRIORITIES

It is planned to establish a Council for Conformity Assessment in the area of conformity assessment, with a function to coordinate the activities performed by the authorised conformity assessment bodies and by the competent ministries. It is planned that representatives of the Government of the Republic of Macedonia and of the competent ministries responsible for authorising the bodies should participate in this Council.

MARKET SURVEILLANCE

Market surveillance in the Republic of Macedonia is carried out in order to watch the situation as to whether the goods placed on the market are in compliance with the special legal regulations. Namely, market surveillance (inspection surveillance) provides for inspection as to whether the products fulfil the requirements of the respective regulations (by transposition of the directives or by means of the old national regulations in cases where there is still no harmonisation), which is then followed by activities for bringing the products into compliance and at the end pronouncing sanctions when necessary. According to the latest amendments in the Law on Trade related to the initiation of the customs clearance procedure duties, the Customs Administration of the Republic of Macedonia conducts the procedure, and the State Market Inspectorate performs inspection of the goods (non-foodstuffs) when they are placed on the market in the Republic of Macedonia regarding the declaration and the instructions for use which need to be written in Macedonian language and Cyrillic alphabet on the original packaging, which does not exclude the possibility for simultaneous use of other languages and signs that are easily understandable for the buyers. Exchange of information between the different competent authorities is done continuously and with constant mutual contacts. Following the enactment of the new Law on the State Market Inspectorate, 10 bylaws were adopted in 2007.

Total number of staff in the State Technical Inspectorate in 2007 is 9 individuals. New employments have been planned for 2008.

SHORT-TERM PRIORITIES

In order to enable smooth implementation of the provisions arising from the Law on Product Safety and of the New and Old Approach rulebooks, in 2008-2009, at the proposal of the Minister of Economy, the Government of the Republic of Macedonia will establish a Commission for Product Safety. The Commission will include representatives of the Ministry of Economy, Ministry of Health, Ministry of Transport and Communications, Ministry of Internal Affairs, Ministry of Environment and Physical Planning, the Organisation of Consumers of Macedonia and the Chamber of Commerce of the Republic of Macedonia. In 2007, the Law Amending the Law on Product Safety was enacted, for the purpose of harmonising it with the Law on Misdemeanours. The State Market Inspectorate appears as a misdemeanour authority for conducting the misdemeanour procedure and pronouncing a sanction.

Bylaws drafted with the technical support of GTZ – the German Technical Assistance - were adopted during 2007, whereby the following is regulated: manner, procedure and deadlines for notification, as well as the method, procedure, criteria and methods for assessment of the danger by the manufacturers and distributors; exchanging information with the EC regarding the adopted inspection measures for withdrawal of complete withdrawal of products from the market; notification through the RAPEX system; the manner and procedure for appointing the conformity assessment bodies as well as the manner and procedure for notification of conformity assessment bodies in the EC; the manner and procedure for abolishing decisions on authorisation, as well as the format and content of the decisions for authorisation and decision for abolishing authorisation register; the procedure for the adoption of technical and non-harmonised regulations and standards.

With the transposition of the New Approach Directives into rulebooks in the Republic of Macedonia and the implementation thereof in April 2007, a national promotion campaign was carried out in order to familiarise consumers with the meaning of the "CE" marking. This campaign was implemented with foreign technical assistance from GTZ – the German Technical Assistance – which provided the technical support for harmonisation of the New Approach Directives.

Following the adoption of the new Law on the State Market Inspectorate, it was provided to adopt the bylaws foreseen in accordance with this Law, in the first quarter of 2007:

- Rulebook on the form and contents of the inspectors' identification cards and the manner of issuing and withdrawal of the same;
- Rulebook on the form and contents of the market executive officers' identification cards and the manner of issuing and withdrawal of the same;
- Rulebook on the conditions and manner for buying products during inspection supervision

- Rulebook on the manner and procedure for destruction of products;
- Rulebook on the form and contents of the seal for sealing premises;
- Rulebook on the form and contents of the Minutes;
- Rulebook on sampling and checking samples.

The inspection services for market surveillance in the Republic of Macedonia will carry out their competencies with regard to market surveillance in accordance with the measures and activities arising from the Programme for market surveillance, where the inspection services will work out in the field in a coordinated and organised manner. The Coordination body will monitor the realisation of the measures and activities from the Programme for market surveillance, undertaken by the inspection services. New employments are planned in the Sector for internal market, in the State Technical Inspectorate, and in the State Market Inspectorate within the Ministry of Economy, who will be responsible for:

- Monitoring the existing situation in the areas of standardisation, accreditation, metrology and market surveillance;
- Drafting of legal regulations;
- Authorising bodies for performing conformity assessment;
- Reporting to the EC;
- Market surveillance according to the new and old approach technical regulations.
- In the first phase, a new Law on Technical Inspection has been drafted with technical support, which will clearly define the competencies of the technical inspection arising from the harmonised area in the EU.

MEDIUM-TERM PRIORITIES

- Improving the organisational set-up of all institutions involved in the area of market surveillance;
- The market surveillance authorities should have appropriate legal force and working methods;
- Establishing a fully effective and efficient market surveillance;
- Training in implementation of the regulations harmonised with the European legislation, upgrading of the IT equipment and improvement of the communication.

3.1.3 OLD APPROACH PRODUCTS LEGISLATION

CHEMICAL PRODUCTS - Chemicals

CURRENT SITUATION

This area is regulated by the Law on Chemicals (Official Gazette of the Republic of Macedonia No.113/07) and the Law on Carriage of Dangerous Goods by Road and by Rail. The Law on Chemicals regulates the following: conditions for and manner of placing the chemicals into circulation; conditions for manufacturing chemicals; rights and responsibilities of the legal entities that manufacture and trade in chemicals or use them; testing, evaluation, classification, labelling and packaging of chemicals; supervision with the purpose of protecting the human health and the environment. The provisions of this Law with regard to the evaluation and classification are related to biocides and detergents. This law also regulates: the requirements and procedures for registering new substances and the evaluation of new and existing substances; keeping of chemical registry; notification procedures; procedures for mutual recognition of certificates; reporting obligations; the contents, manner and conditions for exchange of information on chemicals in view of the degree of danger they pose; and the conditions, obligations and manner of safe handling of chemicals.

The procedure for issuing licenses for import and export of chemicals, as well as the approval for trading in dangerous chemicals is done by the Bureau of Medicines. At the proposal of the Commission for Chemicals, the Ministry of Health carries out the risk assessment and the classification of the chemicals. The Minister of Health authorised the Clinic of Toxicology as a public health institution that will perform the activities of the Centre for Informing about Poisoning with Chemicals. The Centre collects and processes data on acute poisoning cases and other undesired effects, does documentation, performs informative and consultative activities, keeps a registry of poisoning accidents, participates in the formulation and control of the central exchange of antidotes in the Republic of Macedonia, and performs other activities in accordance with the law. Manufacturers and those involved in notification are obliged to submit data at the request of the Centre. The Minister of Health prescribes the contents and the manner of keeping the registry referred to in Paragraph 2 of this Article.

The State Sanitary and Health Inspectorate supervises the enforcement of this law and of the regulations adopted on the basis of the stated through the inspectors for chemicals. Inspection supervision over the trade in chemicals intended for plan protection is carried out by the competent authority within the Ministry of Agriculture, Forestry and Water Economy. The State Environmental Inspectorate supervises the fulfilment of the requirements for manufacture and trade in chemicals with regard to the protection of the environment against possible undesired effects of the chemicals. The State Labour Inspectorate supervises the fulfilment of the requirements for protection at workplace.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In this period, activities will focus on the drafting and adoption of bylaws deriving from the Law on Chemicals.

INSTITUTIONAL FRAMEWORK

The intersectoral body for chemicals, established by the Government of the Republic of Macedonia, is responsible for the intersectoral cooperation aimed at enforcing this law. The intersectoral body for chemicals is composed of representatives of the Ministry of Health, Ministry of Environment and Physical Planning, Ministry of Agriculture, Forestry and Water Economy, Ministry of Interior, Ministry of Defence, Ministry of Economy, Ministry of Finance-Customs Administration and a representative of the Association for Chemical Industry. The mission of the intersectoral body is to monitor the implementation of the law, to suggest amendments to the Law based upon the European and world recommendations on chemicals management, to provide recommendations and directions regarding the needs for capacity strengthening at central and local level and in the industry sector in line with the European and international recommendations, and to cooperate with the relevant bodies.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Adjusting the national legislation with the REACH regulations.

- The Law on Chemicals provides for the preparation of a national list of new and already classified substances that are in circulation within the territory of the Republic of Macedonia, which is adopted by the Minister of Health in coordination with the Minister of Environment and Physical Planning and the Minister of Agriculture, Forestry and Water Economy.

It is planned to adopt the following bylaws for the purpose of implementation of the Law on Chemicals:

- Rulebook on assessment of the hazard risk, classification of chemicals and safe use thereof;
- Rulebook on the contents and the manner of keeping the registry of acute poisoning cases and other undesired effects of chemicals;
- Rulebook on the manner of physical and chemical testing ,toxic and ecotoxic properties of the chemicals;
- Rulebook on chemicals risk assessment on human health and environment;
- Rulebook on the procedure for determining the hazardous properties of the chemicals,
- Rulebook on the methods of classification of the dangerous substances;
- Rulebook on the manner of classification and labelling of the hazardous chemicals;
- Rulebook on the contents of the form for notification of new substances;
- Rulebook on the data that need to be contained in the technical file, as well as the data needed for the technical file for polymers;
- List of active substances for inclusion in biocide products, list for inclusion in low risk biocide products, list of basic substances, type of biocide products and description thereof;
- Rulebook on the manner of placing the biocides into circulation through a procedure of endorsement or registration;
- Rulebook on the contents of the application and the manner of issuing the approval for placing the biocides into circulation;
- Rulebook on the manner of evaluation of the files, for the purpose of evaluation of the risk associated with biocide products;
- Rulebook on prescribing the procedure for inclusion of the active substances on the lists of active and basic substances for inclusion in biocide products and low risk biocide products;
- Rulebook on the manner of classification, packaging and labelling of biocide products;
- Rulebook on determining the methods of biodegradability of SAS (superficially active substances) in the detergents, as well as the reference methods for examination and analysis of the detergents;
- Rulebook prescribing the contents of the additional risk assessment from detergents;
- Rulebook on the manner of labelling and the manner of packaging of the hazardous chemicals;
- Rulebook on the contents of the manual on the safety measures necessary for protection of human health, workplace safety and environment;
- The manner and the contents of the warnings against the dangerous properties of the chemicals for the users thereof, the detailed conditions regarding space, equipment and staff that need to be fulfilled by the legal entities involved in production of hazardous chemicals, the contents and the programme for training, the manner of training, the knowledge of the worker depending on the type of work he/she is doing, as well as the space, equipment and staff requirements that need to be fulfilled by the legal entities carrying out the training of the workers who handle and work with hazardous chemicals in the manufacturing process;
- The contents and the programme for training, the manner of training, the knowledge of the worker depending on the type of work he/she is doing, as well as the space, equipment and staff requirements that need to be fulfilled by the legal entities carrying out the training of the legal entities involved in trade in hazardous chemicals;
- Rulebook on the principles of the good laboratory practice;

- Rulebook on the manner of carried out the training and the contents of the programme for taking the exam of the knowledge of the chemicals.

INSTITUTIONAL FRAMEWORK

Strengthening the intersectoral cooperation for the purpose of implementation of the Law on Chemicals harmonised with the REACH regulations, and strengthening the capacities of all stakeholders.

DETERGENTS

CURRENT SITUATION

A special chapter in the Law on Chemicals (Official Gazette of the Republic of Macedonia No. 113/2007) regulates the general conditions for placing detergents into circulation, as well as for the packaging and labelling thereof.

The Ministry of Health is responsible for reviewing the requests for derogation, whereas the control and supervision will be done by the State Sanitary and Health Inspectorate. The Republic Institute for Health Protection – Sector for Control of Drugs – controls the quality of the detergents.

SHORT-TERM PRIORITIES

It is planned to adopt bylaws that will determine the methods for analysing the biodegradability of detergents, the test methods and the methods for analysis, as well as the special requirements for labelling the components for full harmonisation with the Regulation 648/2004.

It is planned to strengthen from a staffing point of view the existing institutions - the State Sanitary and Health Inspectorate and the Sector for Control of Drugs within the Republic's Institute for Health Protection, and to train the staff in application and control of the new regulations.

MEDIUM-TERM PRIORITIES

It is planned to finalise the legal framework and the process of staffing of the laboratories involved in quality control.

PHARMACEUTICAL AND COSMETIC PRODUCTS

CURRENT SITUATION

The Law on Safety of Cosmetic Products (Official Gazette of the Republic of Macedonia No. 55/2007) stipulates that the management of the area of cosmetic products is under full jurisdiction of the Ministry of Health. The State Sanitary and Health Inspectorate controls and supervises the process of production and trade in cosmetic products, whereas the control of the quality of the cosmetic products is executed in the Republic's Institute for Health Protection, which is the authorised state institution for examination and control of the cosmetic preparations.

SHORT-TERM PRIORITIES

The bylaws arising from the Law on Safety of Cosmetic Products are currently preparing. These bylaws will set forth the lists of products that are considered as cosmetic products, the lists of products that must not be used in cosmetic products, the list of substances the use of which in cosmetic products is allowed, the lists of colours, UV filters and preservatives, the principles of good manufacturing practice, the principles of good laboratory practice, the methods for analysis of the cosmetic products, as well as the contents and the manner of labelling of the finished cosmetic products.

It is planned to strengthen the administrative capacity of the SSHI (covered in chapter 28: Consumer and health protection). What will follow is strengthening the capacities of the Sector for Control of Drugs within the RIHP, where cosmetic products quality control is performed. For the SSHI staff, training will be delivered in the areas of hygiene, good manufacturing practice for cosmetic products, implementation of legal procedures and implications from controls. For the needs of the RIHP, it is necessary to procure additional equipment for the control laboratory of the department for cosmetology: one liquid thin layer chromatography device, one atomic absorption spectrophotometer and one gas chromatographer. It is also planned to conduct training for the needs of the employees in the control laboratory, concerning the introduction of new methods for quality control and handling the equipment, as well as to provide sub specialisation in the area of cosmetology.

MEDIUM-TERM PRIORITIES

It is planned to complete the process of administrative capacity strengthening of SSHI (processed in chapter 28) and of the Republic Institute for Health Protection, in the course of 2009 and 2010.

It is also planned to carry out continuous training for the staff in the areas of hygiene, good manufacturing practice for cosmetic products, legal procedures and implications of controls.

MOTOR VEHICLES

CURRENT SITUATION

Competent institution for the area of motor vehicles is the Ministry of Economy, and participating institutions include: Ministry of Transport and Communications, Ministry of Agriculture, Forestry and Water Economy, Ministry of Environment and Physical Planning and Ministry of Interior. With the technical support of GTZ under the Memorandum of Understanding, the preparation of a Law on Motor Vehicles and bylaws started in February 2007, and is planned to last until mid 2009. It is planned to transpose all EU directives, and the basic directive is 2007/46/EC.

The Ministry of Interior, taking care of the road traffic safety in accordance with the Law on Road Traffic Safety, addresses the motor vehicles, i.e. the testing, registration and technical examination thereof. The Ministry of Transport and Communications implements the Law on Road Transport, and is taking care of the transport in general. The Ministry of Economy carries out the activities arising from the Law on Traffic Safety, in a form of rulebooks, on the homologation and on the total weight and axle load of vehicles. The Ministry of Agriculture, Forestry and Water Economy is responsible for the agricultural vehicles that are used in the agricultural sector.

SHORT-TERM PRIORITIES

It is planned to adopt the Law on Motor Vehicles in the period March-June 2008, which will then be followed by bylaws.

Audit Commission has been established, which works on verification of the regulations in which the EU measures from the area of motor vehicles were transposed in 2007, with technical support from GTZ.

MEDIUM-TERM PRIORITIES

The legal framework in the area of motor vehicles will be encompassed. In accordance with the Law on Motor Vehicles, bylaws will be adopted by the middle of 2009.

TEXTILE and FOOTWEAR

CURRENT SITUATION

Based on the Law of Product Safety, the following bylaws were adopted in 2006:

- Rulebook on determining the raw composition and textile names;
- Rulebook on selection of methods for quantitative analysis of two-component mixtures of textile fibres;
- Rulebook on selection of methods for quantitative analysis of trinary mixtures of textile fibres;
- Rulebook on labelling materials used in the main components of footwear sold to the consumers.

The Ministry of Economy – Sector of Industry – is responsible for this area.

Agreement on trade in textile products between the European Community and the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 35/1998) was adopted for this area.

GLASS and WOOD

Legal basis for the adoption of the bylaws in the area of glass and wood in the Republic of Macedonia will be the following laws:

- Law on Construction Products
- Law on Product Safety

In 2007, the following rulebook was adopted in accordance with the Law on Product Safety:

- Rulebook on cut glass (Official Gazette of the Republic of Macedonia No. 70/2007)

INSTITUTIONAL FRAMEWORK

The Ministry of Economy and the Ministry of Agriculture, Forestry and Water Economy are responsible for adoption of the legal regulations in the area of wood.

SHORT-TERM PRIORITIES

In 2008, it is planned to adopt a Rulebook on wood and flat glass in accordance with the Law on Construction Products.

LEGISLATION

Finalising the legal framework in this area and full implementation of the EU measures for glass and wood in the Republic of Macedonia.

INSTITUTIONS

Strengthening the capacities in the Ministry of Economy and establishing smooth cooperation with all stakeholders for the purpose of implementation of the legal regulations in this area.

3.1.4 NEW AND GLOBAL APPROACH PRODUCTS LEGISLATION

CURRENT SITUATION

LEGAL FRAMEWORK

The coordination of the activities in the direction of harmonisation of the national legislation and adoption of the European technical norms and standards continues successfully through the work of the Working Group for Free Movement of Goods and of the Working Sub-groups operating under the coordination of this Working Group. A significant part of the New Approach Directives has been transposed.

The Law on Product Safety has been adopted (Official Gazette of Republic of Macedonia No.33/06 and 63/07), in which the EU directive 32001L0095 is transposed. This law is the legal basis for adoption of bylaws in which the new approach directives will be transposed:

The following bylaws have been adopted:

- Machines Safety (Official Gazette of the Republic of Macedonia No.64/06)
- Equipment and safety systems intended for use in a potentially explosive atmospheres – ATEX (Official Gazette of the Republic of Macedonia No. 64/06)
- Electro-magnetic compatibility (Official Gazette of the Republic of Macedonia No.129/2006)
- Electrical equipment intended for use in a certain voltage limits (Official Gazette of the Republic of Macedonia No.127/2006)
- Placement on the market of personal protection equipment (Official Gazette of the Republic of Macedonia No. 13/2007)
- Energy efficiency requirements for the new hot-water boilers combustion on liquid or gas fuels (Official Gazette of the Republic of Macedonia No. 13/2007)
- Energy efficiency requirements for the household refrigerators, freezers and combination thereof (Official Gazette of the Republic of Macedonia No. 13/2007)
- Pressure equipment (Official Gazette of the Republic of Macedonia No. 17/2007)
- Transportable pressure equipment (Official Gazette of the Republic of Macedonia No. 17/2007)
- Placement on the market of lifts and of safety devices for lifts (Official Gazette of the Republic of Macedonia No. 23/2007)
- Safe use of lifts and technical examination of lifts (Official Gazette of the Republic of Macedonia No. 23/2007)
- Non-automatic weighing scales (Official Gazette of the Republic of Macedonia No.56/2007)
- Placement on the market of cable installation designed for transport of individuals (Official Gazette of the Republic of Macedonia No. 59/2007)
- Gas Appliances (Official Gazette of the Republic of Macedonia No. 89/2007)
- Quality of oil derivatives, explained in chapter 15
- Notification on dangerous products placed on the market by manufacturers and distributors (Official Gazette of the Republic of Macedonia No. 89/2007)
- Simple pressure vessels (Official Gazette of the Republic of Macedonia No. 144/07).

For the purpose of implementation of the rulebooks in accordance with the Law on Product Safety, the Minister of Economy published two lists of adopted standards in 2007, as follows:

- List of European standards transposed into Macedonian standards for 5 areas of free movement of goods (equipment and protection systems, safety of machines, low voltage, electromagnetic compatibility and lifts) or a total of 1315 standards (Official Gazette of the Republic of Macedonia No. 75/2007)
- List amending the List of standards, with the use of which the product is considered safe (equipment and protection systems, safety of machines, low voltage, electromagnetic compatibility, pressure equipment and personal safety equipment), or a total of 483 standards (Official Gazette of the Republic of Macedonia No. 136/2007)

The Law on Construction Products (Official Gazette of the Republic of Macedonia No. 39/06) has been fully harmonised with the EU Directive on construction products (89/106/EEC), amended by the Directive on CE marking (93/68/EEC).

The following bylaws were adopted in 2006:

Rulebook on attestation systems, procedure for attestation, labelling of the construction products and contents of the conformity documents; Rulebook on conformity assessment and labelling of construction products; and Rulebook on essential requirements for construction facilities that should be respected while determining the properties of the construction products, published in the Official Gazette of the Republic of Macedonia No. 74/06.

For the purpose of the implementation of the rulebooks in accordance with the Law on Construction Products, the Minister of Economy published a list of adopted standards in 2007:

- List of adopted European and international standards into Macedonian standards for construction products, or a total of 231 standards (Official Gazette of the Republic of Macedonia No. 136/2007)

In 2007, the total number of published adopted standards of the new approach is 2129 standards to be used by the business community.

The manner and dimension of the CE marking is prescribed in the rulebooks.

Based on the Law on Consumer Protection (Official Gazette of the Republic of Macedonia No. 38/2004) and Article 39 thereof, Rulebook on the properties of children's toys in circulation was adopted (Official Gazette of the Republic of Macedonia No. 90/2004), which was harmonised with the Directive 31988L0078 of 3 May 1988 concerning the approximation of national laws of member-states in the area of safety of toys. The Rulebook was prepared by the Ministry of Economy in cooperation with the Ministry of Health.

SHORT-TERM PRIORITIES

- It is planned to adopt the following rulebooks during 2008:
- Packaged products;
- Recreational crafts;
- Radio and telecommunications terminal equipment, see chapter 10 – Information society;
- Classification of wood.

Bylaws that are planned under the Law on Construction Products for 2008 include:

- Rulebook on fire classification of construction products;
- Rulebook on the procedure for awarding European technical approval to a construction product for usage in construction according with the Directive 89/106/EC for construction products and for determining the conformity for individual families of construction products

The goal of the above-mentioned legal regulations on construction products is the compliance with the technical requirements for the products that are present on the European market.

MEDIUM-TERM PRIORITIES

Full transposition and implementation of the New and Global Approach Directives and introduction of clauses in the national legislation on mutual recognition of the results.

MEDICINAL DRUGS AND MEDICAL DEVICES

CURRENT SITUATION

New Law on Medicinal Drugs and Medical Devices was adopted in September 2007 (Official Gazette of the Republic of Macedonia No. 106/2007), which ensures harmonisation with the EU legislation with the majority of the chapters, except for those chapters where national regulation of the specific issues is allowed. The law regulates the conditions and the necessary documentation in the procedure for release into circulation of medicinal drugs and medical devices, the conditions and the manner of ensuring their quality, safety and efficiency, the manner and the procedures of their production, testing, trade, price formation, quality control, advertising, and the supervision over the manufacturing, trade and control of the quality of medicinal drugs and medical devices, as activities of public interest.

The transitional provisions in the Law provide for adoption of new bylaws within 6 months from the day of the entry into force of the Law.

Regarding the manner of prescribing and dispensing medicinal drugs, there is a Rulebook on the manner of prescribing and issuing medicinal drugs and medical devices on prescription (Official Gazette of the Republic of Macedonia No.17/2002). Rulebook on the conditions with regard to the space, equipment and staff to be fulfilled by the legal entities involved in wholesale trade in medicinal drugs, supplementary treatment substances and medical devices that are used in the humane medicine was published in 2002 (Official Gazette of the Republic of Macedonia No. 64/2002). Guideline on the conducting of the procedure for approval for putting a finished drug in circulation (Official Gazette of the Republic of Macedonia No. 49/04), and Guideline on the examination of the biological availability and bioequivalence of drugs (Official Gazette of the Republic of Macedonia No. 68/04) were published in 2004.

SHORT-TERM PRIORITIES

The new Law on Medicinal Drugs and Medical Devices provides an appropriate legal framework for the development of the new rulebooks that should regulate this area in more details. Training for the staff in the implementation of the new legal provisions associated with the IPA projects should also follow. It is planned to adopt the following bylaws: Rulebook on issuing of an approval for placing a drug into circulation; Rulebook on renewal of the approval; Rulebook on changes in the approval; Rulebook on transfer of the approval for placing into circulation; Rulebook on registration of traditional herbal drugs; Rulebook on registration of homeopathic drugs; Rulebook on clinical trialling of medicinal drugs; Rulebook on labelling of medicinal drugs and instructions for use for the patient; Rulebook on advertising medicinal drugs; Rulebook on import of medicinal drugs.

In order to deliver the planned activities and tasks, the Ministry of Health – Bureau of Medicines envisages the employment of new persons in 2008.

MEDIUM-TERM PRIORITIES

It is planned to adopt the following bylaws:

Rulebook on the manner of prescribing and issuing of drugs; Guidelines on GMP, GCLP, GLP, GCP, GFP, Rulebook on analytical control of drugs; Rulebook on pharmacological-toxicological control of drugs; Rulebook on manufacturing of galenic drugs; Rulebook on manufacturing of drugs; Rulebook on wholesale trade; Rulebook on retail trade; Rulebook on drugs quality control; Rulebook on pharmacovigilance .

There is a need for continuous training of the staff in the new procedures related to the implementation of the rulebooks, as well as for providing funds for this purpose.

3.1.5 PROCEDURAL MEASURES

NOTIFICATION PROCEDURES

SHORT-TERM PRIORITIES

Directive 98/34/EEC stipulates the procedures for delivering information on standards, regulations and rules for services in the information society. Decree on notification procedure according to the EU rules was developed for the purpose of implementation of the above-mentioned directive, which arises from the Law on Products Safety. This Decree was adopted in the fourth quarter of 2007 (Official Gazette of the Republic of Macedonia No.107/2007), and will be applied as of the day of accession of the Republic of Macedonia into the EU.

MEDIUM-TERM PRIORITIES

The Sector for internal market within the Ministry of Economy and the Institute of Standardisation of the Republic of Macedonia will monitor these issues. It is planned to establish a special department with the role to serve as a contact point for the Directive on notifications 31998L0034 in the non-harmonised area. Moreover, it is planned to allocate at least one staff to work on the non-harmonised area in the Ministry of Transport and Communications, Ministry of Agriculture, Forestry and Water Economy, Ministry of Interior, Ministry of Health and Ministry of Labour and Social Policy. To this end, one will organise training for employees of the Ministry of Economy, Ministry of Transport and Communications, Ministry of Agriculture, Forestry and Water Economy, Ministry of Interior, Ministry of Health and Ministry of Labour and Social Policy.

FREE MOVEMENT OF CULTURAL GOODS

CURRENT SITUATION

On 17 September 2007, the Assembly of the Republic of Macedonia adopted the Law Amending the Law on Protection of the Cultural Heritage ("Official Gazette of the Republic of Macedonia" No.115/07).

The amendments to the Law regarding the restitution of cultural heritage provided for full implementation of the Directive 93/7/EEC on the return of cultural objects unlawfully removed from the territory of a Member State, Directive 96/100/EC of the European Parliament and of the Council of 17 February 1997 amending the Annex to the Directive 93/7/EEC and Directive of the European Parliament and of the Council 2001/38/EC of 5 June 2001 amending the Directive.

With the purpose of harmonisation with the referred to above Directives, the Law defines the terms of "public collection" and "objects of collections", and introduces a special category of protected goods names "national wealth", correspondingly to the types of goods defined in the Annex to the Directive. The Directive refers only to the cultural objects unlawfully removed from the territory of a Member State after 1 January 1993.

With a view to executing the responsibilities established by the Directive, the Ministry of Culture is determined as the central authority for coordination of the return of movable cultural objects unlawfully removed from the territory of the Republic of Macedonia, i.e. unlawfully removed from the territory of another state and currently located on the territory of a Member State.

In accordance with the referred to above Directives, the Law elaborates in detail the procedures for returning the objects unlawfully removed from the territory of the Republic of Macedonia that are now on the territory of a Member State of the European Union, and return of objects unlawfully removed from an EU Member State that are currently located on the territory of the Republic of Macedonia.

The amendments to the Law have achieved full harmonisation with the referred to above Directives.

At the same time, the amendments to the Law in the part concerning the control and other measures for the movable cultural heritage have provided for the implementation of the Regulation (EEC) No.3911/92 on the export of cultural goods and the Regulation of 30 March 1993 (EEC) of the Council on the export of cultural goods.

The amendments to the Law have provided for a partial compliance with the above mentioned Regulations. The rest of the harmonisation with this Regulation will be done by way of adopting a Rulebook on the form and contents of the licenses and certificates forms and on the manner of issuing licenses and certificates.

INSTITUTIONAL FRAMEWORK

The Sector for protection of cultural heritage with a total of 7 staff and the Directorate for Protection of Cultural Heritage, body within the structure of the Ministry of Culture having the capacity of legal entity with 34 staff, are functioning within the Ministry of Culture. Within the Directorate, in the Sector for prevention and inspection supervision – Unit for prevention of cultural heritage, the situation regarding the unlawful import/export and removal abroad of the cultural heritage has been followed, and preventive measures for reducing the possibilities of occurrence of related risks has been undertaken. In this respect, one cooperates with the competent ministries of internal and foreign affairs, as well as with specialised institutions both in the country and abroad.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The rest of the harmonisation with the Regulation (EEC) No.3911/92 on the export of cultural goods and the Council Regulation of 30 March 1993 (EEC) on the export of cultural goods (partially implemented in the Law) will be done by way of adopting a Rulebook on the form and contents of the licenses and certificates forms and on the manner of issuing licenses and certificates. The Rulebook will be adopted by the end of September 2008 at the latest.

INSTITUTIONAL FRAMEWORK

Strengthening the cooperation with the competent ministries of internal and foreign affairs, as well as with specialised institutions both in the country and abroad.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The legal framework will be finalised with the adoption of the Rulebook on the form and contents of the licenses and certificates forms and on the manner of issuing licenses and certificates.

INSTITUTIONAL FRAMEWORK

Strengthening the administrative capacities of the Directorate for Protection of Cultural Heritage and of the Ministry of Culture for the implementation of the established competencies, in the sense of creating preconditions for implementation of the adopted legislation.

FIREARMS

LEGAL FRAMEWORK

Law amending the Law on Weapons was adopted in 2006 ("Official Gazette of the Republic of Macedonia" No. 47/2006), and on 4 April 2007 the Law amending the Law on Weapons ("Official Gazette of the Republic of Macedonia" No. 42/2007) was also adopted.

The following bylaws have been adopted in line with the short-term priorities in the area of firearms:

- Rulebook on minimum technical and safety requirements that the facilities of the civil shooting grounds should meet ("Official Gazette of the Republic of Macedonia" No.11/2007).
- Rulebook on the manner of taking out weapons and ammunition across the state border ("Official Gazette of the Republic of Macedonia" No.51/2007).
- Rulebook on the manner of handing over, accepting and keeping of the weapons and ammunition in case of death of the owner of the weapons, as well as on the form and contents of the certificate for the weapons and ammunition handed over to the competent authority. ("Official Gazette of the Republic of Macedonia" No.51/2007).

- Rulebook on minimum technical and safety requirements to be met by the facilities in which production and repair will be carried out, trade and storage of weapons and ammunition ("Official Gazette of the Republic of Macedonia" No./2007).
- Rulebook on the types of weapons that can be supplied on the grant of permit and the importance of certain types of weapons from category A and D. ("Official Gazette of the Republic of Macedonia" No.51/2007).

INSTITUTIONAL FRAMEWORK

The Ministry of Interior is responsible for the preparation and implementation of the laws and bylaws. A certain number of provisions from the above-mentioned Law provide for obligations for other entities as well:

- Courts; Centres for Social Work (Article 10 Paragraph 1); public health institutions (Article 11 Paragraph 5); authorised legal entities for practical training in weapon handling (Article 14); Directorate for Protection of Cultural Heritage (Article 27); Ministry of Defence (Article 46 Paragraph 3 and Article 69 Paragraph 1); Ministry of Economy (Article 46 Paragraph 3);
- Ministry of Foreign Affairs (Article 69 Paragraph 1)

Competent institutions for implementation of the rulebooks adopted on the basis of the Law on Weapons include: the Ministry of Interior, authorised legal entities for practical training in weapon handling, and primary health care institutions that deal with labour medicine.

SHORT-TERM PRIORITIES

Adoption of a Rulebook on the form of the approval on weapons entering and European Weapon Document (arises from Chapter X of the Law, which will be applied following the accession of the Republic of Macedonia into the EU). This rulebook will be adopted upon the start of the application of Chapter X from the Law on Weapons.

STRATEGIC DOCUMENTS

National strategy on control of small arms and light weapons (SALW) adopted on 16 June 2006 and Action Plan.

MEDIUM-TERM PRIORITIES

Adopting a Law on branding and marking of weapons and developing a Rulebook on the form of the approval on weapons entering and the European Weapon Document.

EXTERNAL BORDERS CONTROL

MEDIUM-TERM PRIORITIES

The Republic of Macedonia (the competent institution) will make preparations for harmonisation with the Council Regulation 339/93 of 8 February 1993 on checks for conformity with the rules on product safety in the case of products imported from third countries. To this end, the Law on Product Safety will be amended, and the Law on Trade was amended in this direction in 2007.

In order to establish such new system for control, the competencies of the inspection authorities have been already reviewed. The latter should completely reorganise their way of work, develop capacity for carrying out controls in the interior instead at Customs terminals, be able to perform risks analysis and to establish adequate mechanisms for data exchange with the Customs authorities, and create database that will be available for the customs authorities.

Customs authorities will develop mechanisms for using data obtained from the competent authorities while building their own risk analysis system and efficient mechanisms for communication with the other inspection authorities in cases when they decide to suspend the release of goods for which would give rise to a serious suspicion and reason to believe in the existence of a serious and immediate risk to health or safety in cases when these products are used in normal and foreseeable conditions and/or when a product or batch of products is not accompanied by a document or not marked in accordance with the regulations on product safety.

Within the Market Surveillance Project – IPA 2007, Component I -, the funds have been secured for supporting the State Market Inspectorate and the State Technical Inspectorate, including the IT equipment for the purpose of implementation of the above-mentioned activities.

3.2 FREEDOM OF MOVEMENT FOR WORKERS

3.2.1 ACCESS TO THE LABOUR MARKET (GENERAL PRINCIPLES) - EURES

CURRENT SITUATION

The application of the Law on Employment and Work of Foreigners started on 13 September 2007. For the purpose of adoption of the new Law on Employment and Work for Foreigners (Official Gazette of the Republic of Macedonia No. 70/2007) the Minister of Labour and Social Policy adopted a Rulebook on the Procedure for Registration and Work of foreigners and a Rulebook on Procedures for Issuing Work Licences and the Form and Content of Special Types of Work Licences (Official Gazette of the Republic of Macedonia No. 108/2007 dated 10 September 2007). This Law enables transposition of Directive 96/71/EC concerning re-located workers within the framework of providing services. Certain provisions of the following EU measures were also implemented in the Law: 2004/38/EC, 2003/86/EC, 2004/114/EC, 31996S0919/02. The procedures of issuing work licences and the form and content of special types of work licences are specified in the Rulebooks (personal work licence, employment licences and operation licence), as well as the format and content of the Certificate form and the procedure for registration and work of foreigners, evidence that needs to accompany any request in this procedure, the exchange of data contained in special registries among relevant bodies, the guidelines for processing and mediation of data contained in applications among relevant bodies and services.

For the purpose of unhindered application of the Law and its bylaws the Ministry of Labour and Social Policy organised presentation and training events for the staff of Employment Centres. The Ministry of Foreign Affairs drafted an Instruction on the procedures for issuing work licences to be applied by the entry into force of the Law on Foreigners. This Instruction overcomes certain issues contained in the Law on Foreigners at the same time pertaining to the process of issuing work licences.

Competent institutions in the field of policy making, and drafting and enacting of the legal framework in this field are: the Ministry of Labour and Social Policy, the Ministry of the Interior, the Ministry of Justice, and the Ministry of Foreign Affairs. The implementation of the Law on Conditions for Establishing Labour Relations with Foreigners, as well as the Law on Asylum and Temporary Protection in the field of employment of persons with recognised refugee status and persons under humanitarian protection is maintained by the Employment Agency of the Republic of Macedonia.

SHORT-TERM PRIORITIES

- The Law on Employment and Work for Foreigners and the Law on Foreigners regulate the fact that the Assembly of the Republic of Macedonia will adopt a Resolution on Migration Policy. Competent institutions for the drafting of this document are the Ministry of Foreign Affairs, the Ministry of Labour and Social Policy and the Ministry of the Interior. For the purpose of preparation of this document, the establishing is underway of an inter-ministerial body to monitor migration trends and the developing of a draft-version of the Resolution will also be one of the obligations.
- Undertaking necessary measures (organisational and technical) to gradually establish administrative and technical capacity at the Employment Agency of the Republic of Macedonia and at Employment Centres for the purpose of the country's participation in the EURES System. For that purpose, an evaluation study will be carried out of the necessary institutional, administrative and technical capacity for participation in the EURES network.
- In terms of the legal framework, a transposition of the following EU measures relevant to EURES is planned: Regulation 31968R1612 on Freedom of Movement of Workers within the Community, Decision 32003D0008 as regards the clearance of vacancies and applications for employment and the EURES Charter: 52003XX0503(02)

MEDIUM-TERM PRIORITIES

A complete realisation of the process for harmonisation of the Macedonian legislation, in particular with the provisions referred to in Article 39 of the Treaty establishing the European Community. Intensive preparation is envisaged for participation in the EURES System, intended for promotion of free movement of workers through exchange of information on employment possibilities.

Adoption of a new Law on Primary Education.

The adoption of this Law will provide conditions for the education of the children of residents in the EU Member States, in accordance to the standards stipulated in the Council Directive 77/486/EEC of 25 July 1977 on the education of the children of migrant workers. This Directive will be implemented in the new Draft Law on Primary Education.

Adoption of a new Law on Secondary Education.

The adoption of this Law will provide conditions for the education of the children of residents in the EU Member States, in accordance to the standards stipulated in the Council Directive 77/486/EEC of 25 July 1977 on the education of the children of migrant workers. This Directive will be implemented in the new Draft Law on Secondary Education.

Establishing data bases in the Republic of Macedonia containing general information on the labour market and employment conditions is envisaged. Special attention will be paid to criteria for selection and employment of future EURES advisers. Future EURES advisers will be trained in certain issues related to the *Acquis* and new data bases.

Activities of preparation will be carried out in coordination with the European Commission. A technical meeting with experts from the European Commission was organised in December during which all important questions for the functioning of EURES in the Republic of Macedonia were discussed.

3.2.2 EURES

(See details in Chapter 3.19 SOCIAL POLICY AND EMPLOYMENT, 3.19.1 Labour Law)

3.2.3 COORDINATION OF THE SOCIAL SECURITY SYSTEMS

CURRENT SITUATION

The Republic of Macedonia contributes actively towards the conclusion of bilateral agreements. The following bilateral agreements entered into force in the recent period: the Bilateral Agreement on Social Security with the Kingdom of the Netherlands, which entered into force on 1 April 2007 (Official Gazette of the Republic of Macedonia No. 20/2006) and the Bilateral Agreement on Social Security with the Czech Republic which entered into force on 1 January 2007 (Official Gazette of the Republic of Macedonia No. 20/06) the Bilateral Agreement on Social Security with Poland entered into force on 1 July 2007 (Official Gazette of the Republic of Macedonia No. 20/06). An initiative was raised towards a bilateral agreement on social security with the Republic of Hungary. On 2 November an initiative was submitted towards a bilateral agreement on social security with Canada; this is an overseas agreement to regulate the rights in terms of pension and disability insurance.

Within the framework of cooperation in the field of social security, on 4 May 2007, the Ministry of Labour and Social Policy of the Republic of Macedonia signed an Agreement for Cooperation in the field of social security with the Ministry of Labour and Social Policy of the Republic of Bulgaria. For the purpose of implementation of the Agreement for Cooperation between the Ministry of Labour and Social Policy of the Republic of Macedonia and the Ministry of Labour and Social Policy of the Republic of Slovenia signed in 2003, in April 2007, a Working Programme was drafted elaborating in detail activities of cooperation to be carried out in the 2007-2008 period.

The Law on Voluntary Fully Funded Pension Insurance establishes the legal framework for organisation of professional pension schemes and harmonisation with relevant European trends. The key Directive to which this Law was aligned is Directive 2003/41/EC. One section of the third pillar will involve providing pensions via professional schemes. The voluntary fully funded pension insurance prohibits any discrimination of its members based on gender, race, colour of skin, language, religion, political or other determination, national or social origin, national or ethnic minority affiliation, or based on property, family, health condition or age. This Law also provides harmonisation with the above mentioned Directive in terms of rules of investment, stocking, informing of the members etc...

The Law Amending the Law on Pension and Disability Insurance was adopted which, among other things, provides for a legal possibility of the pension fund to collect all social deductions. In August 2007 the three funds signed an Agreement for Cooperation on the basis of which the software for electronic collecting of deductions will be upgraded and data will be exchanged.

Strengthening of administrative and technical capacity was achieved with new employments in the Sector for Pension and Disability Insurance in MLSP, within the Pension and Disability Insurance Fund of the Republic of Macedonia, in the Sector for realisation of the rights for pension and disability insurance, and in ASFFPI. For the purpose of improving the manner of controlling, representatives of ASFFPI attended one-week training at the Commission for Financial Surveillance of the Republic of Bulgaria in February 2007.

Within the framework of implementation of the voluntary fully funded pension insurance, the Ministry of Labour and Social Policy in cooperation with the Agency for Supervision of Fully Funded Pension Insurance and support of the USAID/ BEA Project, on 24 April 2007 and 11 May 2007 organised a presentation event on "Design of the Voluntary Fully Funded Pension Insurance (Third Pillar) of the Republic of Macedonia". The presentation was held in front of employers, chambers of commerce, insurance companies and the National Bank of the Republic of Macedonia.

Within the World Bank Project on social security adoption, complete automatization of the pension system was done by network interlinkage among PDIFM, ASFFPI, NBRM and pension funds. The implementation of the exchange of electronically signed data sets among PDIFM, ASFFPI, NBRM and pension funds is underway. For the purpose of unhindered functioning of the PDIFM ICT

system, adequate equipment was provided. Numerous training events for employees in the IT Sector of PDIFM were organised. Within the same project recommendations on reforming of the System of Disability Insurance were provided, as well as in terms of working experience calculated with reduced duration. With technical assistance of the Government of the Kingdom of Netherlands operational procedures at the PDIFM were developed in the process of pension payment and dealing with requirements regarding the exercise of pension insurance rights.

SHORT-TERM PRIORITIES

Starting from 1 April 2008, the PDIFM will electronically collect, control and distribute the social deductions to other funds for each insured person individually. Starting from 1 July 2007 the health insurance deduction started to be calculated in the same way as other social deductions at the lowest basis of 50% of the average salary, as of 1 July 2008 calculation will be 65% of the average net salary.

In the field of bilateral regulation of social insurance with other countries, in 2008, the Ministry of Labour and Social Policy plans to submit an initiative to the Government of the Republic of Macedonia for starting negotiations to adopt bilateral agreements on social insurance with Italy, France, Sweden, Slovakia and Australia.

The Agency for Supervision of Fully Funded Pension Insurance in cooperation with foreign experts works on the drafting of bylaws for the implementation of the Law on Capital Funded Pension Insurance.

Building the administrative capacity is envisaged for full application of Regulations No. 3197R1408 and 31972R0574 in the field of social insurance and staffing of the Sector for Pension and Disability Insurance within the Ministry of Labour and Social Policy, the Pension and Disability Insurance Fund of the Republic of Macedonia, the Health Insurance Fund of the Republic of Macedonia and the Employment Agency of the Republic of Macedonia.

MEDIUM-TERM PRIORITIES

Priority in the field of pension insurance is continuation of reforms, in particular, completing the legal framework by adopting the Law on Voluntary Capital Funded Pension Insurance and the Law on Payment of Pensions, to be harmonised with relevant EU legislation. Namely, according to Article 149 of the Law on Pension and Disability Insurance, a pension beneficiary- foreign citizen to move for the purpose of attaining permanent residence to the country of his/her citizenship, his/her pension will be paid out abroad if an international pension return agreement has been concluded with that particular country or if reciprocity principles are maintained with that particular country in that regard. For the purpose of harmonisation with Regulations (EEC) No. 31971R1408 of 14 June 1971 and 31972R05474, the Law on Pension and Disability Insurance will be amended and consolidated with regard to: redefining disability by giving priority to professional rehabilitation as a preventive measure, and the rights of reassignment to another job post and allocating part-time work are to be transferred to the competence of the employer. Moreover, controlled examinations of disability pension beneficiaries will be harmonised according to examples in the legislations of modern European countries, in terms of medical indications and longer length of service for workers working on hazardous job posts.

The Law on Payment of Pensions from the Compulsory Capital Funded Pension Insurance is planned to regulate the types of pension payments from capital-funded pension insurance (annuities, programmed withdrawals, one-time withdrawals), institutions in charge of delivering pension payments, the procedure of pension calculation on the basis of fully funded pension insurance, and other issues.

The Law on the Annuity and Programmed Withdrawals is anticipated for the adoption on the mid-term, in which, among the existing regulations, the new Regulation 32004R0883 will be transposed.

INSTITUTIONAL FRAMEWORK

Administrative and technical capacity in institutions competent for implementation of the Community rules for coordination of social security systems will continue to strengthen. The adoption on the Law on Voluntary Capital Funded Pension Insurance and the Law on Payment of Pensions will also determine institutions competent for implementation.

3.2.4 EUROPEAN HEALTHCARE INSURANCE CARD

CURRENT SITUATION

Concerning the introduction of the European healthcare insurance card, the Republic of Macedonia has recently undertaken numerous activities. The model of the electronic healthcare card is determined and it will be a bar code card representing a basis for identification and checking of the patient insurance status and at the same time it will comprise some basic data on the patient and some additional data important for his/her health condition. The electronic healthcare card will be available to all citizens of the Republic of Macedonia.

The European healthcare card of the Republic of Slovenia is applied in the territory of the Republic of Macedonia as a faster and easier way for Slovenian citizens that are healthcare insured persons during their temporal stay in the Republic of Macedonia, in order to manage their health service rights with regard to direct use of the card in health institutions having concluded relevant agreements with the Health Insurance Fund of the Republic of Macedonia.

For the purpose of continuation of good mutual cooperation and for the purpose of the Republic of Macedonia's joining the European Union, the HIFRM submitted initiatives to other European countries with which it has concluded or initiated Bilateral Agreements for Social Insurance, in particular: Germany, the Czech Republic, Poland, Italy, France, Luxembourg, Belgium, Romania and the Netherlands in order to conclude an agreement allowing application of their European healthcare insurance cards in the territory of the Republic of Macedonia.

SHORT-TERM PRIORITIES

On the basis of recent positive experience we have in the field of application of the Slovenian European healthcare card insurance, an initiative for concluding an Agreement with the Republic of Bulgaria on the use of the Bulgarian European healthcare insurance card in the territory of the Republic of Macedonia will be initiated in January 2008.

For the purpose of introducing the electronic national healthcare insurance card which will substitute the current medical booklet, work will be done to meet the following requirements:

- Adopting a bylaw to determine the legal and technical frameworks for the implementation of the national healthcare insurance card to have included the following EU measures: 323003D0751 on the implementation of the European healthcare insurance card, on changing the forms required for the adoption of Regulations No. 1408/71 and 574/72 on access to healthcare services during temporal stay in another Member State other than the state of permanent residence; Decision 32003D0752 concerning the technical specifications of the European health insurance card; as well as Decision 323003D0753 concerning the substitution of forms E111 and E111C by the European health insurance card.
- Determination of the basic package of health services,
- Supplying appropriate ICT technology within the Clinical Centre in Skopje, as well as in other general hospitals in the Republic of Macedonia as a pilot programme, to cover all categories of insured persons.

MEDIUM-TERM PRIORITIES

Full implementation is envisaged of the bylaw determining the legal and technical frameworks concerning the introduction of the national insurance card as well as revitalisation of voluntary additional health insurance in accordance with the Law on Health Insurance and the Law on Insurance, for the purpose of covering health service costs are not covered by mandatory healthcare insurance.

3.3 RIGHT OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES

3.3.1 RIGHT OF ESTABLISHMENT

CURRENT SITUATION

In the Republic of Macedonia the establishment of trade companies, branch offices and subsidiaries is regulated by the Company Law (Official Gazette of the Republic of Macedonia No. 28/04, 84/05 and 25/07). A trade company can be established under equal conditions by both domestic and foreign persons.

In accordance with the provisions of the Law on Craftsmanship (Official Gazette of the Republic of Macedonia No. 62/04 and 55/07), craftsmanship can be performed by a natural person registered in the Craftsmen Register. No distinction is made between domestic and foreign natural persons.

Craftsmanship can be performed by sole proprietors and by trade companies under the terms and in a manner laid down with the Company Law and this law.

In order to perform craftsmanship the Law provides for the fulfilment of two conditions: the natural person should be unemployed and have adequate professional training. The natural person submits a written request to the chamber for entry in the Craftsmen Register, where the premises for performing craftsmanship are located.

Within eight days from the submission of the request, the Chamber makes a decision for entry in the Craftsmen Register. If the chamber does not make a decision within the foreseen deadline, the decision will be considered to be adopted.

A Draft Law Amending the Law on Foreign Exchange Operations has been prepared, which will enable the entry of foreign investments in the Republic of Macedonia and investments abroad to be made in the Central Register of the Republic of Macedonia instead of the Ministry of Economy. The purpose of this amendment is to reduce the time and the expenses for registration.

SHORT-TERM PRIORITIES

The Regulatory Guillotine continues, with the aim of eliminating all unjustified requests in the legal acts and bylaws.

The main priority is evaluation of the existing regulations from the aspect of ensuring the right of establishment and the possibility for the providers of services from the EU Member States to provide services on the territory of the Republic of Macedonia, as well as evaluation of the need for reciprocity to be regarded as a condition in certain service sectors.

In order to realise this priority, analysis of the laws and the bylaws that contain provisions on the right of establishment for natural persons and legal entities from the EU is planned.

MEDIUM-TERM PRIORITIES

Based on the evaluation, amendments to the laws relating to the right of establishment by legal entities and natural persons from the EU Member States are envisaged.

3.3.2 FREEDOM TO PROVIDE SERVICES

CURRENT SITUATION

The harmonisation of the national legislation with the *acquis* in this field presupposes amendments to numerous laws and bylaws. For this purpose, the established working group which functions as a horizontal body for inter-ministerial cooperation, comprised of representatives of various institutions, undertakes activities for determining the laws and the bylaws that require amendments. The Ministry of Economy is the coordinator of this working group.

The area of Freedom to provide services is regulated with many laws and by-laws from which the following were analysed:

The Law on Tourism (Official Gazette of the Republic of Macedonia No. 62/04), according to which tourist activities can be performed by trade companies and sole proprietors registered in the trade register (performers of tourism activities). The trade company and the sole proprietors, depending on the type of service they provide, can be a travel agency and a tourist bureau. Travel agencies and tourist bureaus can be established by domestic or foreign legal entities.

Natural persons who, according to the provisions of this Law, perform small scale tourist activities are registered in the register that is kept by the Mayor of the municipality, and in the City of Skopje in the register kept by the Mayor of the municipality that is on the

territory of the City of Skopje.

In order to perform their activities the travel agencies must have a licence for performing tourist activities (licence "A", licence "B" and licence "C"). To obtain the licence, the travel agencies submit a request to the providers of the licence, by stating the company, the seat of the applicant and the type of licence requested. The licence is issued within 8 days from the day of submission of the request by the entity performing the tourist activity and is valid for 3 years. If the licence is not issued within 8 days, it is considered that the reply to the request is positive (silence means approval).

In order to provide services as a tourist guide, the tourist guide must meet the following conditions:

1. To be a citizen of the Republic of Macedonia; and
2. To have residence on the territory of the Republic of Macedonia.

A tourist guide must have completed at least secondary school and passed a professional examination for tourist guides.

The Draft Law Amending the Law on Tourism, which is in parliamentary procedure, proposes amendments that will qualify the rights and the obligations of the travel agencies to ensure quality information and protection of customers. The procedure for obtaining a licence is simplified by a smaller number of documents that need to be attached to the application and the option to submit photocopies of the requested documents.

According to the Law on Catering Industry (Official Gazette of the Republic of Macedonia No. 62/04), catering activities can be performed by trade companies and sole proprietors entered in the trade register. The natural persons that in accordance with the provisions of this Law perform small scale catering activities are registered in the register kept by the Mayor of the municipality.

Catering activities in night bars, cabarets and disco clubs are performed on the basis of a licence.

The Draft Law Amending the Law on Catering Industry, which is in parliamentary procedure, proposes amendments aimed at shortening the procedure for obtaining a license for performing catering activities. Article 6 of the Law defines the conditions that need to be met for performing catering activities, while, with the submission of the application for starting operation, the caterer declares that he/she meets the conditions pursuant to the Law on Catering Industry.

With the proposed amendments a deadline of 8 days for issuing licences for night bars, cabarets and disco clubs has been determined. If the competent body does not issue a licence within this period, the reply will be considered as positive. Accordingly, with the amendments of the law concerned the articles that require the caterer to have a licence for serving and selling wine, alcohol and alcoholic beverages shall be deleted. These amendments has been made for the reason that the issuance of such licences is not contained in the more recent legislative decisions in other countries and is aimed at reducing costs.

Pursuant to the Law on Veterinary Health (Official Gazette of the Republic of Macedonia No. 113/07), all natural persons working as doctors of veterinary medicine in the Republic of Macedonia must be members of the Veterinary Chamber. In order to carry out its tasks in an efficient, transparent and independent manner, the Veterinary Chamber will provide funds through membership fees, fees for issuing licences, donations, sponsorships and other sources in accordance with the law. The Veterinary Chamber determines the amount of the fee to be paid for issuing licences.

The profession of doctor of veterinary medicine can be a person who meets the following conditions:

1. to be a graduate of the Faculty of Veterinary Medicine;
2. to be a member of the Veterinary Chamber;
3. to own a licence for work;
4. to be a citizen of the Republic of Macedonia.

Foreign citizens can perform the veterinary profession in the Republic of Macedonia as researchers, scientists, lecturers or university professors, or as international consultants with an official invitation from an institution of the Republic of Macedonia.

According to the Law Amending the Law on the Bar (Official Gazette of the Republic of Macedonia No. 29/07) legal aid and the performance of the legal activities on the territory of the Republic of Macedonia for the lawyers and lawyers' associations from the EU Member States, with provisions that will be implemented after the accession of the Republic of Macedonia into the EU. The amendments of this Law aimed at the implementation of the efficient and continuous reforms of the Macedonian's bar practice, harmonisation with the Law on Misdemeanours (Official Gazette of the Republic of Macedonia No. 62/06) and the Directives 31998L0005 and 31977L0249 that refer to the performance of the legal profession in a Member State that is not the country where the qualification was obtained and for providing legal services by foreign lawyers and lawyers' associations.

Starting from one of the goals of the internal market, elimination of the barriers for free movement of persons and services between the Member States, with these directives the EU members enable their citizens to perform activities, regardless of whether they are individual lawyers or lawyers employed by another lawyer, in another Member State, which is not the country where they obtained the qualifications.

A lawyer who obtained qualifications in a Member State can request recognition of his/her diploma when it comes to his registration in another Member State, so that he/she can perform the legal profession with the professional title in that country, in accordance with 31989L0048, at the purpose of which is to ensure integration of the lawyer in the host country.

31977L0249 provides defence or representation in certain cases where the foreign lawyer and lawyers' association will have the rights and the obligations equal to those of the lawyers of the Republic of Macedonia and will use the title under which they perform the legal profession in their country of origin.

SHORT-TERM PRIORITIES

In order to identify possible barriers to the freedom to provide services and to overcome these barriers in a systematic way, the horizontal governmental body for inter-ministerial cooperation for Chapter 03 will compile a list of laws and bylaws containing provisions that limit the freedom to provide services. Activities are undertaken to ensure more active involvement of the representatives of the chambers of commerce, the professional associations and foundations in the activities of the horizontal body in order to assess the justification of certain legal limitations when providing services.

FOREIGN ASSISTANCE

Expert assistance from the European Commission within the TAEIX programme for training of the representatives of the horizontal body for inter-ministerial cooperation will be needed in 2008 for further guidelines regarding the harmonisation with 32006L0123.

MEDIUM-TERM PRIORITIES

It is necessary to continue the activities of the horizontal body for inter-ministerial cooperation in the medium-term aimed at identification of the barriers to the freedom to provide services, evaluation of the system for licensing and its practical implementation, in order to ensure harmonisation with the EU legislation, in particular 32006L0123.

3.3.3 POSTAL SERVICES

CURRENT SITUATION

LEGAL FRAMEWORK

The Strategy for Postal Services was adopted in June 2007 (Official Gazette of the Republic of Macedonia No. 70/07).

The text to the new law on postal services has been prepared, aligned with Directive 31997L0067 on common rules for the development of the internal market in Community postal services and the improvement of quality of services and 32002L0039 amending Directive 31997L0067 with regard to the further opening to competition of Community postal services. The law provides for the foundation of an independent regulatory body for postal services.

INSTITUTIONAL FRAMEWORK

The Ministry of Transport and Communications is the authorised body for creating the postal traffic policy, i.e. for the implementation of the policy of the Republic of Macedonia in the area of internal and international postal traffic. Within the framework of the Ministry, in the Sector for Communications, a Unit for Postal Traffic has been formed to perform the activities in this field. Two experts are employed on a full-time basis in the unit, while in accordance with the Act on the systematisation of working posts in this unit a total of three employees are envisaged.

The state-owned joint-stock company "Makedonska Posta", in accordance with the current law, is the competent operator for performing the activities in the internal and international postal traffic, including the universal postal services, and employs approximately 2,550 persons.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

1. Adoption of a new law on postal services

The law partially transposes 32002L0039 with regard to the opening to competition of Community postal services, thus ensuring gradual and controlled liberalisation of the postal services market.

The new Law regulates the obligatory provision of universal postal services, thus ensuring constant, regular and smooth provision of postal services with pre-determined quality on the entire territory of the Republic of Macedonia at accessible prices for all

customers.

The universal postal service will be performed in the internal and international postal traffic and includes, as a minimum, the following postal services:

- receipt, transport and distribution of postal delivery of weight rate up to 2 kg;
- receipt, transport and distribution of postal delivery of weight rate up to 20 kg;
- postal and telematic orders, money orders;
- special postal delivery services and services with a sign of value, and
- receipt and distribution of postal delivery for blind people and visually impaired people.

In accordance with the law the JSC Makedonska Posta, based on an individual license, is the provider of the universal postal service, including the performance of reserved postal services, as well as postal services for the free postal services market.

The weight of the reserved postal services from the current 350 grams should be reduced in a procedure for gradual reduction of weight, in the following manner:

- by 31 December 2008 there will be provision of registered postal services of up to 100 grams and at a price 3 times higher than the price for transport of standard category first weight rate postal mail delivery for internal and international postal traffic;
- from 1 January 2009 to 31 December 2011 there will be provision of registered postal services of up to 50 grams and at a price of 2.5 times higher than the price for transport of standard category first weight rate postal mail delivery for internal and international postal traffic and
- from 1 January 2012 no registered postal services will be provided.

The Law provides for the establishment of an Independent Regulatory Body – Agency for Posts, to regulate issues in the field of postal services, which would be legally separated and independent on the operational plan from the postal operators.

One of the most important issues entrusted to the Agency is the issuance of licenses and approval for work for the providers of postal services. Namely, the Agency of JSC Makedonska Posta, for performing the universal services with the reserved service with limited weight for a certain period, will issue an individual license for a period no longer than 15 years.

The Agency will issue the standard license to the providers of postal services for a period no longer than 5 years and for providing universal postal services, but outside the registered postal service, while for providing postal services that are performed on the free postal services market, the Agency will issue an approval to the providers of postal services for a period no longer than 5 years.

2. Bylaws

13 bylaws derive from the Law on Postal Services with which full harmonisation with 32002L0039 will be achieved:

- Rulebook on the general terms for universal postal services;
- Rulebook on postal services nomenclature;
- Rulebook on laying down the areas of the network units of the basic postal operator for providing universal service;
- Rulebook on laying down the methodology for monitoring the quality of the universal postal services;
- Rulebook on the method of determining the expenses that the provider of the universal postal service can include in its claims and the manner of calculation of the compensation for provision of the universal postal service;
- A form for the total amount of revenue of the postal service providers in order to fulfil the obligation for payment of funds for compensation for real expenses for provision of the universal postal services;
- Rulebook on laying down the technical requirements for the quality of the universal postal service, the technical parameters and their measurement, as well as the necessary minimum conditions for the achieved quality;
- Rulebook on laying down the contents and the form of the request for provision of postal services, the necessary documents and confirmation for registration of the request;
- Rulebook on laying down the criteria for access to the universal postal services, the distance between postal units, the number of mailboxes, etc.;
- Rulebook on laying down the methodology for calculation of the annual compensation for monitoring of the postal services market;
- Rulebook on the manner of keeping accounting;
- Rulebook laying down the form and the contents of the official identification card of the postal traffic inspector, and
- Rulebook on laying down the contents and the form of a stamp for sealing premises and funds.

INSTITUTIONAL FRAMEWORK

Establishment of an Agency for Posts for regulating the postal services sector.

1. The Agency will commence its work by appointing the members of the Commission and the Agency director.
2. The Assembly of the Republic of Macedonia will appoint the president and the members of the Commission within 30 days from the day of entry into force of this Law.
3. The Commission will appoint the Agency director within 15 days from the day of its constitution.
4. By the time the Agency starts functioning, the Ministry of Transport and Communications continues to perform the tasks within its competence.
5. The Commission will adopt a statute of the Agency within 30 days from the day of appointment of the president of the Commission and the Commission members.

The Agency will adopt the bylaws that derive from the Law on Postal Services and the common acts on organisation and systematisation.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Harmonisation of the Law on Postal Services and the bylaws with the EU Directives if there are certain amendments to the latter.

INSTITUTIONAL FRAMEWORK

Strengthening of the Agency for Posts for regulating the postal services sector is envisaged. For the purpose of performing the activities in the field of postal services it will be necessary to employ 8 persons with higher education.

FOREIGN ASSISTANCE

Expert assistance from the European Commission through the TAEIX instrument is necessary for the bylaws deriving from the Law on Postal Services.

3.4 FREE MOVEMENT OF CAPITAL

3.4.1 MOVEMENT OF CAPITAL AND PAYMENTS

CURRENT SITUATION

LEGAL FRAMEWORK

For the purpose of improvement and promotion of the payment system, in September 2007 the new Law on Payment Operations was adopted (Official Gazette of the Republic of Macedonia, No. 113/07), enforced from 1 January 2008. The Law was drafted in accordance with the Strategy for development of payment systems of the Republic of Macedonia until 2011, adopted in August 2007 by the National Council on Payment Systems.

This Law regulates the payment operations in the country, the relations between the holders of payment operations and the participants in the payment operations, the relations between the holders of payment operations and the NBRM regarding payment operations, payment systems, payment settlements, issuance of e-money and supervision of payment systems.

The holders of payment operations in the country, the NBRM, the banks, branch offices of foreign banks and the Treasury within the Ministry of Finance as a special holder of payment operations perform the activities of payment operations defined in the Law. The Law on Payment Operations is harmonised with Directive 31998L0026 with regard to the finality of payment among the participants in the payment operations made through the settlement system.

To the end of acting upon the commitments given under the Law on Payment Operations, in the period September - December 2007 the following bylaws were adopted:

1. Decision on prescribing a standard on the structure of accounts of the participants in the payment operations and assigning main number to the holders of payment operations;
2. Decision on determining the amount of small interbank payment;
3. Decision on the manner of keeping and the contents of the single register of transaction accounts;
4. Decision on submitting data on the executed activities in the payment operations; and
5. Guidelines on the form and the contents of payment instruments for executing payment operations in the country.

The Ministry of Economy keeps the Register of direct investment by non-residents in the Republic of Macedonia and residents abroad, pursuant to the rulebooks under the Law on Foreign Exchange Operations. The Law Amending the Law on Foreign Exchange Operations transferring the registration of direct investments to be kept by the Central Register is in parliamentary procedure.

In 2007 the obligation was abolished for banks to purchase the right to secure foreign currency with the NBRM while trading in securities by non-residents, through amendments to the bylaws on foreign exchange operations. The obligation was abolished with the adoption of the Decision on termination of the Decision on the manner and conditions of conducting non-residents' operations with securities in the Republic of Macedonia (Official Gazette of the Republic of Macedonia, No. 159/07) enforced from 1 January 2008.

INSTITUTIONAL FRAMEWORK

The Law on Payment Operations, regulating the payment operations in the country, is drafted by the MF. The MF and the NBRM adopt the bylaws enabling the implementation of the Law. The NBRM supervises the operations of the payment systems.

The MF drafts the Law on Foreign Exchange Operations. The MF, the NBRM, the ME and the MSEC adopt the bylaws ensuring implementation of the Law. The implementation of the Law on Foreign Exchange Operations and the regulations adopted on the basis of this Law is carried out by the following institutions: the NBRM, the MF, State Foreign Exchange Inspectorate, the ME and the MSEC. The aforementioned supervision bodies inform each other on any incompliance with the provisions of the Law and assist each other regarding the determined irregularities.

With the new amendments to the Law on Foreign Exchange Operations which are in parliamentary procedure, the ME harmonised the rulebooks according to the regulatory guillotine, and after the adoption of the amendments to the Law, the Central Register of the Republic of Macedonia will be in charge of registering direct investments.

The Law on Fast Money Transfers is drafted by the MF, and the bylaws are adopted by the NBRM. The supervision of the enforcement of the Law and the bylaws, as well as of the operations of the service providers of fast money transfer and the sub-agents is carried out by the NBRM.

Within the MF, the Sector for Financial System is in charge of drafting regulations in the field of the banking system, the non-banking financial institutions, the capital market, the foreign exchange system, the insurance system and the insurance supervision, the payment operations system, the audit system and the accounting system. The Sector for Financial System is directly involved in the process of harmonisation of the national legislation in this field with the EU legislation. The Sector comprises 5 (five) units: Unit for Banking System (2 employees), Unit for Capital Market (2 employees), Unit for Insurance System (2

employees), Unit for Insurance Supervision (3 employees), Unit for Payment Operations and Audit (2 employees) and Unit for Accounting System (3 employees). Two employees from the Sector for Financial System are involved in the harmonisation of the national legislation with the EU acquis on Chapter 04 – Free Movement of Capital.

When drafting the regulations, the MF cooperates with the NBRM and other involved institutions: ME, MSEC and the Central Register of the Republic of Macedonia.

The Macedonian Securities and Exchange Commission comprises a President and 6 members, of which the President is professionally engaged in its operations. Pursuant to the Law on Securities (Official Gazette of the Republic of Macedonia, No. 95/05 and 25/07), after the expiry of the term of office for the present members of the Macedonian Securities and Exchange Commission, it is envisaged to comprise 5 (five) members, of which the President and at least two members will be professionally engaged in the operations of the Commission. There is an expert office within the Macedonian Securities and Exchange Commission, comprising four sectors: Sector for Common and Legal Affairs Department (3 employees), Sector for Issuance of Approvals (2 employees), Sector for Capital Market Control (4 employees) and Sector for Research and Development of the Capital Market and International Cooperation (3 employees).

An employee from the Sector for General and Legal Affairs is involved in the harmonisation of the national legislation with the EU acquis on Chapter 04 – Free Movement of Capital.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In the course of 2008, the capital account will be liberalised in the part of real estate and construction land.

MEDIUM-TERM PRIORITIES

Continuation of the monitoring of the process of harmonisation of the regulations with the obligations undertaken with the SAA and the EU acquis to the end of liberalisation of the capital account. On the medium term, the Republic of Macedonia will make further efforts to eliminate the remaining barriers regarding free movement of capital.

The medium-term priority for the Macedonian Securities and Exchange Commission regarding Directive 31998L0026 on settlement finality in payment and securities settlement systems is a continuation of the harmonisation of regulations and practise with EU criteria regarding settlement finality and securities settlement systems, having in mind that the major part of the Directive is implemented in the Law on Securities and the acts of the Central Securities Depository JSC Skopje.

FOREIGN ASSISTANCE

The Agency for Foreign Investments – Ongoing is the World Bank technical assistance project “Invest in the Western Balkans”

3.4.2 PAYMENT SYSTEMS

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework in the field of payment operations is elaborated in detail in part 3.4.1.a of this Chapter.

Payment operations in the country are regulated in the Law on Payment Operations (Official Gazette of the Republic of Macedonia No. 113/07) and the bylaws arising from the provisions of this Law.

By end-2007, bylaws were adopted which, in accordance with the provisions of the new Law on Payment Operations (Official Gazette of the Republic of Macedonia No. 113/07), regulate the following in more detail:

- the manner and methodology of supervision of the payment systems;
- the criteria and standards of the operations of the payment systems;
- the manner and procedure for opening and closing a transaction account;
- the procedure for correction of errors made by holders of the payment operations; and
- guidelines on the form and contents of the payment instruments for executing payment operations in the country.

Payment operations abroad are regulated with the Law on Foreign Exchange Operations (Official Gazette of the Republic of Macedonia No. 34/01, 49/01, 103/01 and 51/03).

INSTITUTIONAL FRAMEWORK

The MF is the institution in charge of drafting the Law on Payment Operations. The adoption of bylaws arising from this Law falls within the competences of the MF and the NBRM. The NBRM supervises the operations of the payment systems.

The NBRM adopts the bylaws arising from the Law on Foreign Exchange Operations, which refer to payment operations abroad.

The institutional framework in the field of payment operations is elaborated in details in part 3.4.1 of this Chapter.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

INSTITUTIONAL FRAMEWORK

The competent body within the Ministry of Finance is the Sector for Financial System, the Unit for Accounting, Payment Operations and Audit, having five employees.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Full incorporation of the provisions of Directive 31997L0005 by end-2010.

Incorporation of the provisions of Regulation 32001R2560 by end-2010.

3.4.3 PREVENTION OF MONEY LAUNDERING

CURRENT SITUATION

LEGAL FRAMEWORK

Basic act regulating the existing legal framework in the area of prevention of money laundering is the Law on Prevention of Money Laundering and Other Criminal Proceeds (Official Gazette of the Republic of Macedonia No. 46/04). The Law is harmonised with the UN Convention against Transnational Organised Crime as of 2000 (Palermo Convention), Directive 32001L0097 amending Directive 31991L0308, as well as the FATF Recommendations.

In May 2006, an Analysis on amendments to the existing Law was prepared with the purpose of its harmonisation with Directive 32005L0060, the amended Strasbourg Convention (Warsaw Convention 198) and the revised 40+9 FATF Recommendations on prevention of money laundering and terrorist financing. On the basis of this Analysis, during 2007, a Proposal to pass the Law on Prevention of Money Laundering and Other Criminal Proceeds and Terrorist Financing was prepared. The main novelties in this proposal are aimed at strengthening the measures for detection and prevention of money laundering by the entities, mainly by introducing the obligations for analysis of the clients depending on the assessment of the risk level. These measures will also be applied in cases of prevention of terrorist financing. As a main novelty of the introduction of this Law will be the renaming of the Directorate into an Administration, whereby it would obtain competences as a legal entity, followed by introduction of supervision by the employees in the Administration and an opportunity for them to be directly acquainted with the policies of entities for implementation of measures for fight against money laundering and terrorist financing. Another novelty is that this Law summarizes criminal acts in the area of terrorist financing, thus providing a whole, which the previous Law lacked. There are certain amendments in the area of analysis of clients by entities for PEPs (Politically Exposed Persons), which is in accordance with the Third EU Directive. There are changes in the area of international cooperation regarding implementation of decisions of foreign bodies in charge of prevention of money laundering and terrorist financing, which is in accordance with the Warsaw Convention.

INSTITUTIONAL FRAMEWORK

DIRECTORATE FOR PREVENTION OF MONEY LAUNDERING

A focal point in the system for prevention of money laundering and terrorist financing in the Republic of Macedonia is the DPML. The Directorate is a body within the MF, established in September 2001 pursuant to the Law on Money Laundering Prevention (Official Gazette of the Republic of Macedonia No. 70/01), and it started operating on 1 March 2002. The Directorate, as an administrative model of a Financial Intelligence Unit (FIU) is organised in three Units: Unit for Analytics (3 employees), Unit for Suspicious Transactions (2 employees) and Unit for System Development and International Cooperation (2 employees). A procedure for employment of 1 person (IT expert) is in process. Since June 2004, the DPML is a member of the EGMONT Group. Besides the DPML, the following institutions, within the frames of their legal competences, carry out the obligations arising from the Law on Prevention of Money Laundering and Other Criminal Proceeds: the Ministry of Interior, the Financial Police, the Public Prosecutor's Office, the Customs Administration, the National Bank of the Republic of Macedonia, the Public Revenue Office, the State Foreign Exchange Inspectorate, the Macedonian Securities and Exchange Commission, the State Commission for Prevention of Corruption and other government bodies. When performing its competences, the DPML cooperates with these bodies, as well as with other institutions and international bodies engaged in the fight against money laundering and terrorist financing. To the end of strengthening the cooperation between the DPML and the other involved institutions, the Government of the Republic of Macedonia established a Council for Fight Against Money Laundering and Terrorist Financing, the members of which are representatives of the DPML, the MI, the Ministry of Justice, the Public Prosecutor's Office of the Republic of Macedonia, the Financial Police, the National Bank of the Republic of Macedonia, the Macedonian Securities and Exchange Commission, the Customs Administration and the Public Revenue Office. This body meets at least once a month and considers the issues and problems in the daily operations, exchanges experience, organises joint training and joint appearance in the international cooperation and submits an annual report on fulfilment of the strategic objectives set out in the Strategy to the Government of the Republic of Macedonia.

Pursuant to the Law on Prevention of Money Laundering and Other Criminal Proceeds, the supervision of the application of the measures and activities by the entities is performed by the following institutions: the National Bank of the Republic of Macedonia

supervises the banks, saving houses, exchange offices and providers of fast money transfer; the Ministry of Finance – Unit for Insurance Supervision supervises the insurance companies; the Macedonian Securities and Exchange Commission supervises the Stock Exchange, brokerage companies and investment funds; the Public Revenue Office supervises the other financial institutions, the companies organising games of chance and other legal entities and natural persons, subject to such measures and activities. The Bar Association and Chambers of Notaries, i.e. other professional associations of auditors, accountants and other persons independently performing legal and financial activities establish, within their competences establish commissions for performing supervision of the implementation of the provisions of this Law by their members.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK:

Harmonisation of the national legislation with the international regulations, experience and standards on prevention of money laundering and terrorist financing:

- Adoption of a new Law on Prevention of Money Laundering and Other Criminal Proceeds and Terrorist Financing, to the end of its harmonisation with the Directive 32005L0060, the amended Strasbourg Convention (Warsaw Convention 198) and the revised 40+9 FATF Recommendations on prevention of money laundering and terrorist financing and
- Adoption of Law Amending the Criminal Code with the view of including incrimination of the criminal act – terrorist financing as a separate criminal act, thereby taking into consideration the provisions in the Warsaw Convention 198 and the International Convention on Prevention of Money Laundering

INSTITUTIONAL FRAMEWORK:

Strengthening the mechanisms of the financial system for the needs of prevention of money laundering and terrorist financing:

- continuous training and education of the employees in the financial institutions (units), to carry out regular internal training for the other employees in the financial institution, and
- improvement of the system for electronic submission of data on cash transactions exceeding EUR 15,000 (individual and connected), for the purpose of completing the Directorate's database.

Improvement of the regulations and supervision of the enforcement of the legislation - strengthening the capacities of these institutions through training and specialisation of the existing staff

Increasing the level of efficiency of the operations of the prosecution bodies - strengthening the capacities of these authorities through continuous training of their staff

Establishment of an efficient system for international cooperation:

- continuous implementation of the concluded Memoranda and Protocols for Cooperation;
- signing Memoranda and Protocols for Cooperation in detecting and prosecution of perpetrators of criminal acts in organised crime and exchange of information, and
- introduction of electronic access to the databases of the relevant competent institutions.

Strengthening the technical capacities of the Directorate for Prevention of Money Laundering:

- increase of the number of employees in the DPML;
- continuous training of the employees in the DPML;

Strengthening the international cooperation:

- implementation of the concluded Memoranda of Understanding of the DPML
- conclusion of Memoranda of Understanding with other countries
- participation in plenary sessions of the international bodies for fight against money laundering and terrorist financing (EGMONT, the Council of Europe's MONEYVAL Committee), and
- preparation and implementation of the Third Evaluation Round of the System for Prevention of Money Laundering in the Republic of Macedonia by the Council of Europe's MONEYVAL Committee.

Raising public awareness on the necessity to undertake measures for prevention of money laundering and terrorist financing:

- creation of the DPML website, implemented in the first quarter in 2007, which can be found on our website www.dspp.gov.mk
- public announcement of the annual report on the operations and the activities of the DPML, as well as publishing the statistical data on money laundering and terrorist financing in the Republic of Macedonia and at international level, being implemented, for the first time, by posting it on our website in 2007.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Harmonisation of the national legislation with the international regulations, experience and standards on prevention of money laundering and terrorist financing:

- preparation and adoption of the bylaws of the Law on Prevention of Laundering Money and Other Criminal Proceeds and Terrorist Financing;
- Adoption of a Law on ratification of the 2005 Convention on Money Laundering, Search, Seizure, Confiscation of the Proceeds from Crime and the Financing of Terrorism, amending the 1990 Strasbourg Convention (Warsaw Convention 198) and
- incorporation of provisions in the laws that regulate the activities of the institutions providing financial or legal services, as well as the competent state bodies, for determining their competences in detecting and preventing money laundering.

INSTITUTIONAL FRAMEWORK

Strengthening the mechanisms of the financial system for the purposes of money laundering and terrorist financing:

- continuous training and education of the employees in the financial institutions (departments), to carry out regular internal training for the other employees in the financial institution
- maintenance of the system for electronic submission of data on cash transactions exceeding EUR 15,000 (individual and connected), for the purpose of completing the Directorate's database.

Improvement of the regulations and supervision of the enforcement of the legislation:

- continuous strengthening of the capacities of these institutions through training and specialisation of the existing staff

Increasing the level of efficiency in the operations of the prosecution bodies:

- continuous strengthening of the capacities of these bodies through continuous training of their staff

Establishment of an efficient system for inter-institutional cooperation:

- continuous implementation of the concluded Memoranda and Protocols for Cooperation;
- maintenance of the system for electronic access to the databases of the relevant competent institutions.

Strengthening the technical capacities of the Directorate for Prevention of Money Laundering:

- further increasing in the number of employees in the DPML;
- continuous training of the employees in the DPML;

Strengthening the international cooperation:

- implementation of the concluded Memoranda of Understanding of the DPML
- conclusion of Memoranda of Understanding with other countries
- participation in plenary sessions of the international bodies for fight against money laundering and terrorist financing (EGMONT, Council of Europe's MONEYVAL Committee);

Raising public awareness on the necessity to undertake measures for prevention of money laundering and terrorist financing:

- public announcement of the annual report on the operations and the activities of the DPML, as well as publishing of the statistical data on money laundering and terrorist financing in the Republic of Macedonia and at international level;
- publishing manuals and guidelines for the purpose of simplified enforcement of the Law for the responsible entities

FOREIGN ASSISTANCE

DPML - Technical assistance for procurement of software and equipment for automatic data processing is in the process of realisation, with funds provided with the 2003 CARDS Programme – Project for Fight against Money Laundering (continuation of 2002 CARDS). Ongoing is the training of employees of the DPML for the utilization of the installed equipment.

Ongoing is the realisation of the twinning project on institutional building of the Directorate for Prevention of Money Laundering (CARDS 2005). The aim of the project is enhancement of the capacities of the DPML and implementation of efficient mechanisms for co-operation between the bodies that are included in the fight against money laundering and financing of terrorism.

In 2008, technical assistance project from GTZ continues.

3.5 PUBLIC PROCUREMENT

3.5.1 GENERAL PRINCIPLES

CURRENT SITUATION

The Law on Public Procurement was adopted by the Assembly of the Republic of Macedonia on 6 November 2007 (Official Gazette of the Republic of Macedonia No. 136/07), and entered into force on 1 January 2008. The following EU directives on public procurement are transposed into the Law on Public Procurement of the Republic of Macedonia: 2004/18/EC and 2004/17/EC.

With the entry into force of the Law on Public Procurement, the competences of the Public Procurement Bureau were harmonised with the activities envisaged for the Bureau under the new text of the Law. The Public Procurement Bureau is a state administrative body within the Ministry of Finance which is accountable for its work to the Government of the Republic of Macedonia and the Minister for Finance.

Pursuant to the new Law, the Public Procurement Bureau is in charge of the development of the public procurement system by ensuring legality, rationality, efficiency and transparency in carrying out public procurement, and is also in charge of promoting competition and equality of the bidder in the public procurement procedures.

The Bureau has adopted an act on modification of its systematisation and organisation, whereby currently it comprises two departments: Sector for Normative Affairs for Promoting the Public Procurement System and Sector for Registers, Statistics and Analysis. The Bureau has 13 employees. It is envisaged to continuously increase and strengthen the staffing of the Public Procurement Bureau in order to successfully carry out its competences prescribed by the Law.

SHORT-TERM PRIORITIES

In order to enable full implementation of the Law on Public Procurement, as well as to provide uniformed application thereof, the Public Procurement Bureau is in the phase of drafting bylaws, as well as standard tender documentation for procurement of goods, works and services and models of contracts. The bylaws for implementation of the new Law on Public Procurement are under preparation and they are planned to be adopted in the course of 2008. The adoption of 14 bylaws is planned. In the course of 2008, the capacity of the Public Procurement Bureau is planned to be strengthened with new employees. Software design is also planned for implementation of the new legal decisions for electronic public procurement and electronic auctions, as well as design of software for publication of announcements and notices. Training of the staff is a constant activity of the Public Procurement Bureau, both for the existing and the newly hired staff, through participation at seminars and workshops and through foreign experts.

MEDIUM-TERM PRIORITIES

Efforts will continue regarding the capacity strengthening of the Public Procurement Bureau by employing new persons in 2009.

3.5.2 CONCESSIONS AND OTHER TYPES OF PUBLIC-PRIVATE PARTNERSHIP

CURRENT SITUATION

The Law on Concessions and Other Types of Public-Private Partnership was adopted by the Assembly of the Republic of Macedonia on 4 January 2008 (Official Gazette of the Republic of Macedonia No. 7/08), and it entered into force on 23 January 2008.

This Law regulates the relations, the manner and the procedure for granting concession, the contents of the concession contract, the rights and the obligations of the contracting authority and the concessionaires, the legal protection in the procedure for granting concession, the manner and the procedure for awarding contracts for other types of Public-Private Partnership, the contents of the contract for Public-Private Partnership, the rights and obligations of the public and private partner and the legal protection in the procedure for awarding contracts for Public-Private Partnership. The following are underlined as objectives of this Law – promotion and enabling private initiative in financing public services, ensuring equal access, transparency in the procedure for granting concession and awarded contracts for other types of Public-Private Partnership and high-quality and efficient performance of activities and services under the granted concession and the awarded contracts for other types of Public-Private Partnership. A significant step forward is the fact that the Government of the Republic of Macedonia has already established a Council for Concession/Public-Private Partnership. A special organisational Unit that would deal with concessions and other types of Public-Private Partnership has not been established yet.

SHORT-TERM PRIORITIES

In order to enable full implementation of the Law on Concessions and Other Types of Public-Private Partnership, as well as to enable uniformed implementation thereof, the Ministry of Economy in cooperation with the Ministry of Finance is drafting the set out bylaws, as well as some of the models of concession contracts.

The bylaws for implementation of the new Law on Concessions and Other Types of Public-Private Partnership are under preparation and their adoption is planned during 2008. The following four bylaws are planned to be adopted:

1. Methodology for calculation of the estimated value of the concession.
2. Methodology for expressing the criteria.
3. Rulebook on the contents of the Report on the operations and activities of the Commission for Implementation of the Procedure for Granting Concession/Public-Private Partnership.
4. Rulebook on the contents of the register of awarded concessions.

During 2008 a special organisational Unit is planned to be established in the state administrative bodies – the Ministry of Economy, in charge of concessions and other types of Public-Private Partnership. Within this context, it should be underlined that this organisational unit would be established on unit level. In this new unit employing of new persons is planned, so as to establish this unit. At the same time, the need for technical equipping of this unit is imposed as a priority, and it should be pointed out that training, education and exchange of experience of the unit staff is also necessary.

As a short-term priority, it is planned to carry out 2 trainings, 4 seminars and 2 workshops in the state administrative bodies, the local government units, the city of Skopje, the public enterprises, as well as other economic operators, with the purpose of getting acquainted with the institutional framework of the Law on Concessions and Other Types of Public-Private Partnership, as well as the possibilities it offers.

MEDIUM-TERM PRIORITIES

Medium-term priorities include organisation of several seminars, workshops and trainings of the members of the commissions for implementation of the procedures for granting concessions in the state administrative bodies, the local self-government units, the city of Skopje, the public enterprises, as well as other economic operators regarding the concession contracts and legal remedies.

3.5.3 AWARDING PUBLIC CONTRACTS

CURRENT SITUATION

LEGAL FRAMEWORK

The new Law on Public Procurement pays special attention to defining the types of public procurement contracts, due to the fact that the new text to the Law introduces different thresholds for the public contracts for supplies and services on the one hand, and public contracts for works on the other.

What is of special importance is the fact that new value thresholds and new time limits for receiving the bids or the requests to participate are prescribed. It is believed that the new value thresholds and the respective time limits will significantly enhance the effectiveness of the procedures for awarding public procurement contracts.

In addition, another novelty is the introduction of new ways of awarding public contracts by applying framework agreements and electronic auctions, as well as the implementation of the Common Procurement Vocabulary, with deferred application.

To the end of improving the transparency of the public procurement procedures, the Public Procurement Bureau has undertaken the following activities: submission of opinions on the Law on Public Procurement to the State Audit Office, announcement of the decisions of the second-instance Public Procurement Commission on the Bureau's website, regular and continuous updating of the Single Register for realised public procurement and preparation of reports to the State Commission for Prevention of Corruption. The Public Procurement Bureau carried out 5 trainings in the past period which raised the awareness of the public sector, and it presented the legislative solutions under the new Law on Public Procurement.

INSTITUTIONAL FRAMEWORK

The Bureau, together with SIGMA, organised two seminars related to the new Law on Public Procurement. In cooperation with the USAID Macedonia Business Environment Project, three public debates were held for the draft version of the new Law on Public Procurement. The Public Procurement Bureau is an active participant in the ELLECTRAWeB Project, financed by the European Commission through the FP6 Programme on Research and Development. This is a regional project, covering the Western Balkan countries, and it is aimed at building and testing the e-procurement application and determining the forms and rules for its support.

SHORT-TERM PRIORITIES

The Bureau plans to continue its efforts for capacity strengthening with the contracting bodies, the economic operators and the non-governmental sector by organising training for the persons who take part in the implementation of the public procurement procedures, related to the enforcement of the new Law. The organisation of at least 17 trainings is planned for the contracting bodies and the economic operators in 2008, in particular, 2 trainings on the "Manner of filling in the announcement and notice forms", 10 trainings on the "Procedures and manner of carrying out public procurement" in cooperation with other entities, training in electronic public procurement and electronic auctions for the contracting bodies and 2 trainings in electronic public procurement and electronic auctions for the economic operators. In addition, it is also planned to organise 2 trainings in cooperation with the non-governmental sector on the "Procedures and manner of carrying out public procurement". It is also planned to prepare a new programme for training, preparation of guidelines and manuals, as well as preparation of an electronic bulletin.

The submission of data to the State Commission for Prevention of Corruption will continue.

Cooperation with the State Audit Office will continue, and cooperation with the Commission on Public Procurement Complaints is also planned, as well as with the new State Commission on Public Procurement Complaints to be established under the new Law. In fact, all opinions from the Bureau are sent to the State Audit Office, which refer to the application of the Law on Public Procurement. The Bureau will announce the decisions reached by the State Commission on Public Procurement Complaints. The Public Procurement Bureau plans to establish cooperation with the Commission for Protection of Competition, by exchanging information as well as preparing and submitting expert opinion.

MEDIUM-TERM PRIORITIES

It is planned to prepare new training materials in line with the new legal decisions, as well as to organise training for the contracting bodies and the economic operators relating to the public procurement procedures. At least 7 trainings are planned to be organised for the contracting bodies and the economic operators on the "Public procurement procedures" in 2009. Preparation of electronic bulletins will continue in 2009 as well.

Cooperation with the public bodies, such as: State Audit Office, State Commission for Prevention of Corruption, Commission for Protection of Competition and State Commission on Public Procurement Complaints will continue and will be intensified in this period. It is also planned to design the web site of the State Commission on Public Procurement Complaints with the purpose of enhancing the transparency of the legal remedies system, as well as the public procurement system as a whole.

3.5.4 LEGAL REMEDIES

CURRENT SITUATION

LEGAL FRAMEWORK

The following EU directives on public procurement regarding legal protection and the legal remedies are transposed into the Law on Public Procurement of the Republic of Macedonia: 89/665/EEC and 92/13/EEC.

Regarding legal remedies, a new State Commission on Settling Public Procurement Complaints will be established, having permanent professional staff appointed by the Assembly of the Republic of Macedonia, with legal person capacity, which presents a step forward compared to the previous decision.

INSTITUTIONAL FRAMEWORK

The Public Procurement Bureau has achieved significant progress in the cooperation with the Commission on Public Procurement Complaints in terms of harmonising the opinions and the positions regarding the provisions in the Law on Public Procurement, and it has also continued with the announcement of the decisions of the second-instance Public Procurement Commission on the Bureau's web site.

The Bureau, together with SIGMA, organised a seminar on the solutions in the Law on Public Procurement concerning legal protection and the legal remedies in public procurement procedures.

SHORT-TERM PRIORITIES

INSTITUTIONAL FRAMEWORK

To the end of enabling full implementation of the Law on Public Procurement, as well as providing unified application of the Law, the Public Procurement Bureau is in the stage of preparing bylaws, as well as standard tender documentation for procurement of goods, works and services and models of contracts.

Pursuant to the new legal decisions, State Commission on Public Procurement Complaints will be established, which will provide efficient legal protection in the public procurement procedures. The Commission members will be appointed by the Assembly of the Republic of Macedonia. The State Commission on Public Procurement Complaints will have a high level of independence and

professionalism in terms of the previous decision. The establishment of this Commission contributes to overcoming the issues of non-transparency and inefficiency.

MEDIUM-TERM PRIORITIES

Training is planned for the contracting bodies concerning legal protection and the legal remedies in public procurement procedures. At least 2 trainings are planned to be organised for the contracting bodies and the economic operators in 2009 on „Legal Remedies in Public Procurement Procedures“.

Cooperation with the State Commission on Public Procurement Complaints will continue, and it is also planned to design a web site of the State Commission on Public Procurement Complaints to the end of enhancing the transparency of the legal remedies system.

3.6 COMPANY LAW

3.6.1 COMPANY LAW

CURRENT SITUATION

LEGAL FRAMEWORK

Adoption of the Law Amending the Law on One-stop-shop System and the Maintenance of the Trade Register and the Register of other Legal Persons in the beginning of 2007 (Official Gazette of the Republic of Macedonia No 13/07) has facilitated and accelerated registration of companies (to three days), and it was harmonised with the Law on Misdemeanours. The Law Amending the Company Law (Official Gazette of the Republic of Macedonia No 25/2007), implements the medium-term recommendations from the ROSK Report of the World Bank for the purpose of harmonisation with the OECD principles for corporate governance from June 2005 and the responsibility from the PDPL 2 Arrangement concluded with the World Bank has been fulfilled. The Law details the provisions improving the management of the companies (especially management of the joint stock companies) and it is harmonised with the Law on Misdemeanours (Official Gazette of the Republic of Macedonia No 62/06). By the end of 2007 the new amendments to the Law Amending the Law on One-stop-shop System and the Maintenance of the Trade Register and the Register of other Legal Persons added to the facilitation and acceleration of registering companies, so that registration period is reduced to only four hours and general business clause is introduced (Official Gazette of the Republic of Macedonia No 150/2007). Furthermore, two bylaws were adopted based on the Law: Rulebook on the form, content and manner of filling in the form for allocation of earned revenues by activities – SRA form, and Rulebook on special data necessary for the state record system and the form and content of the state record form (Official Gazette of the Republic of Macedonia No 02/2008). The Law Amending the Law on Takeover of Joint-Stock Companies is adopted (Official Gazette of the Republic of Macedonia No 6/07), harmonised with Directive 32004L0025 (for which the Ministry of Finance is in charge).

INSTITUTIONAL FRAMEWORK

The Ministry of Economy is in charge of the field of company law. The Sector for European Integration with one responsible employee (seven persons are employed in the Sector) is in charge of this field, in cooperation with the Sector for Legal Affairs, with ten employees, within the Ministry of Economy. Implementation and improvement of the legal framework for companies is monitored, the cooperation with the Central Register related to coordination and monitoring of the one-stop-shop system function is being realised. Other institutions and authorities involved in the implementation of the Law are as follows: the Public Revenue Office, banks, the Central Securities Depository, the Macedonian Securities Stock Exchange, the Securities and Exchange Commission and other competent (inspection) authorities.

The Central Register is competent for registration of companies through the one-stop-shop system. Registration and entry of the data in the Trade Register for companies is performed in electronic form, and the Register is part of the central information database of the Central Register. Ten regional offices for registration are operational at the moment. 272 persons are employed at the Central Register. Special Appeal Commission is competent for second-instance registration, established by the Government of the Republic of Macedonia pursuant to the Law on One-stop-shop System and the Maintenance of the Trade Register and the Register of other Legal Persons. (Further information on the Central Register is provided in the Economic Criteria Chapter).

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The Law Amending the Company Law that will be adopted in the beginning of 2008 will introduce legal basis for bylaw regulation of the electronic submission of annual accounts, further harmonisation with the OECD principles of corporate governance, harmonisation with Directive 31977L0091 relating to the right to primacy of issued shares to current shareholders. Rulebook on regulating the submission of annual accounts in electronic form will be adopted on the basis of the Law.

In 2008, the new Law Amending the Law on One-stop-shop System will be adopted, which will provide further harmonisation with Directive 32003L0058, amending Directive 31968L0151, and will establish new procedure for generating tax number by the Central Register instead of by the Public Revenue Office as was practice until now. The Law will also offer legal basis for regulating certain procedures to be introduced through the one-stop-shop system such as recording working hours, possibility for reporting first employment and interactive connection between registers and databases (of the Employment Agency, the Pension and Disability Insurance Fund and Health Insurance Fund). The application of this Law is expected to realise the objectives determined by the Project of the Government of Republic of Macedonia on one-stop-shop system and integration of the Central Register with the registers and databases of the said institutions.

The Law Amending the Company Law, which will be adopted by the end of 2008, will facilitate further harmonisation with Directive 32007L0036.

INSTITUTIONAL FRAMEWORK

Priority for the upcoming period is the broadening of the network of Central Register offices for registration throughout the remaining part of the state. Due to the one-stop-shop system, the human resources within the Central Register (CR) will be strengthened, in accordance with the new competences in the Sector for European Integration and the Sector for Legal Affairs. In 2008, developing software for electronic submission of annual accounts and establishing initial technical-technological level of the CRRM will follow for future implementation of the XBRL standard relating to annual accounts as well as procurement of data protection and security system.

MEDIUM-TERM PRIORITIES

Analysis of monitoring novelties will be drafted, and for that purpose, the Ministry of Economy will draft an Action Plan in 2009 for harmonisation of company law with the EU acquis.

INSTITUTIONAL FRAMEWORK

The system for electronic submission of annual accounts will be updated and modernised, education of the employees managing the system within the CRRM strengthened, all identified software or legal failures likely to occur in 2007 eliminated. Training will continue, in particular to the new employed staff within the Ministry of Economy in the field of company law, and it will be expanded to the employees within the Sector for European Integration.

3.6.2 ACCOUNTING AND AUDIT

CURRENT SITUATION

LEGAL FRAMEWORK

In the part of audit, according to the Law on Audit (Official Gazette of the Republic of Macedonia No 79/2005), harmonised with Directive 32006L0043, and on the basis of the Statute of the Institute of Certified Auditors (ICA), in April 2007, the Rulebook on the manner and procedure for obtaining certificate of certified auditor, manner and procedure for issuing working license for the auditing associations and certified auditors – sole proprietors was adopted, which enabled issuing working licenses in the field of audit. The 2007 annual programme of the Audit Promotion and Supervision Council provides for the Council to submit reports on its work and on the work of the Institute of Certified Auditors.

INSTITUTIONAL FRAMEWORK

The Ministry of Finance is competent for the legal framework and key legal acts relating to accounting and audit in the Sector for Financial System, Unit for Accounting System, Payment Operations and Audit with three employees.

The Commission for Accounting Standards within the Institute of Certified Auditors is competent for monitoring, harmonisation and application of the international accounting standards (International Accounting Standards (IAS) and International Standards for Financial Reporting (ISFR)). The Audit Promotion and Supervision Council (Official Gazette of the Republic of Macedonia No. 109/05) is competent for promotion of the audit, promotion of adhering to high professional standards, application of the Law, monitoring of the procedure for obtaining the title of certified auditor, the work of the members of the Institute of Certified Auditors, provision of opinions and monitoring of the application of ICA general acts. The Steering Committee for Accounting Reform and Institutional Strengthening (REPARIS) implements and monitors the reforms in accounting and audit incorporated in the National Strategy and the Action Plan. The Institute of Certified Auditors (professional association of certified auditors as chamber organisation) maintains register of certified auditors and register of auditing associations and certified auditors – sole proprietors, adopts Programme for taking the exam for obtaining the title of certified auditor, administers the exam for obtaining the title of certified auditors, monitors the application of the IFAC International Standards on Auditing and the Code of Ethics of professional accountants with auditing associations and certified auditors – sole proprietors. There are seven Commissions: Commission for Ethics; Commission for Quality Control; Commission for Education, Training and Publications; Commission for Administering the Exam for Certified Auditor; Commission for Registration of Certified Auditors; Commission for Accounting Standards and Commission for Auditing Standards. One person is employed in the Institute for Certified Auditors at the moment.

In 2007, the ICA opened web-site www.iorm.org.mk giving information about current and future activities, and it also established Register of Certified Auditors and legal entities that perform auditing operation. ICA is a self-financing institution funded by membership fee paid by the certified auditors and auditing houses. At the moment 24 auditing associations and 187 certified auditors are operating. In 2007, on the basis of the Rulebook on the manner and procedure for obtaining certificate of certified auditor, manner for issuing working license for the auditing associations and certified auditors – sole proprietors, the Institute for Certified Auditors issued 5 new working licenses to certified auditors - sole proprietors and 1 working license to an auditing house. The ICA established communication with IFAC and CEEPAD for the purpose of joining regional and global professional organisations. It also participates and works on implementation of the National Strategy and Action Plan for accounting reform and institutional strengthening (NSAPARIS).

So far the Republic of Macedonia has benefited from a number of programmes for technical assistance relating to development of the capacities of the accounting and auditing profession, mostly funded by the USAID and the World Bank. On 11 April 2007, the Grant Agreement amounting to €4.55 million was signed as follows, a grant provided by the Dutch Government amounting to €3.7 million and € 850 thousand by the Austrian Agency to facilitate implementation of National Strategy and Action Plan for reforms in accounting and institution strengthening (NSAPRAIS), and the Republic of Macedonia has undertaken obligation to co-finance up to 10% of the total value of the activities contained in the National Strategy and Action Plan (€730,000). The Project Unit, with two employees, endeavours for the requests submitted for the procurements relating to implementation of the activities provided for in the National Strategy for Reforms in Accounting and Audit.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In the part of accounting, the Commission for International Accounting Standards within the Institute of Certified Auditors will provide translation of the International Accounting Standards (IAS)/International Standards for Financial Reporting (ISFR) and interpretation for 2006 by the end of 2008.

With regard to audit, the Institute of Certified Auditors (ICA) will adopt Programme for taking the exam for obtaining the title of certified auditor in 2008, obtaining working license for the auditing associations and it will administer exam for obtaining the title of certified auditor. The ICA will monitor the application of IFAC International Standards on Auditing and the Code of Ethics of professional accountants with auditing associations and certified auditors – sole proprietors, and it will perform other competences. The Institute will carry out quality control on the work of its members through the Commission for Quality Control, which will adopt Rulebook on audit quality control in 2008. For that purpose, ICA will carry out activities relating to introducing the members with the required procedures and standards and it will take disciplinary measures for the members whose work do not comply with the standards; and in 2008 it will adopt Rulebook on disciplinary procedures. The Commission for Education, Training and Publications will carry out continuous professional education and training to the candidates who will take the exam for certified auditor and in 2008 it will adopt Programme for continuous education to the certified auditors.

INSTITUTIONAL FRAMEWORK

Considering the fact the Sector for Financial System is in charge of the audit system, for the purpose of strengthening the efficiency, it will assume new employments in the Unit for Accounting System, Payment Operations and Audit.

The Commission for Accounting Standards within the Institute of Certified Auditors will monitor harmonisation and application of the International Accounting Standards (IAS) and International Standards for Financial Reporting (ISFR). The Commission for International Auditing Standards will prepare the procedures to facilitate updated translation of the International Standards on Auditing and other standards published by the International Auditing Standards Board. Funds for the Audit Promotion and Supervision Council for 2007 were provided from the Budget of the Republic of Macedonia.

The capacity of the Institute of Certified Auditors will be built up with new employments in 2008, as well as that of the largest regulatory institutions (the Public Revenue Office, the Securities and Exchange Commission, the National Bank of the Republic of Macedonia, insurance supervision, Agency for Supervision of Fully Funded Pension Insurance (ASFFPI), the Central Register and etc.) that monitor the application of International Accounting Standards (IAS) and International Standards for Financial Reporting (ISFR) and other accounting standards, i.e. they fully and timely make public the financial data prepared in line with IAS/ISFR.

The Commission within the Institute of Certified Auditors will be trained for initiating measures for full application of the principles of good corporate financial reporting. The procedure of the Institute of Certified Auditors (for obtaining the status of associative member) with IFAC and CEEPAD for associative accession in regional and global professional organisations will continue.

MEDIUM-TERM PRIORITIES

ACCOUNTING AND AUDIT

LEGAL FRAMEWORK

The Law Amending the Law on Audit will be adopted by the end of 2009 for the purpose of harmonisation with Directive 32006L0043. The activities in the period from 2008-2010 will be focused to fulfilling the obligations taken with regard to monitoring the operation of the Audit Promotion and Supervision Council and of the Institute of Certified Auditors; monitoring and implementation of the provisions of the Law on Audit to build an audit system in the country compatible with that of the EU Member States.

INSTITUTIONAL FRAMEWORK

The National Strategy and Action Plan for reforms in accounting and audit are also foreseen to be implemented in the next years. According to the Law on Audit, the Ministry of Finance will be authority competent for monitoring the implementation of the provisions in the Law. The Audit Promotion and Supervision Council and the Institute of Certified Auditors will perform the activities

within the framework of their competences regulated by the Law. The funds for Audit Promotion and Supervision Council in the medium-term period are anticipated from the Budget of the Republic of Macedonia.

3.7 INTELLECTUAL PROPERTY LAW

3.7.1 COPYRIGHT AND RELATED RIGHTS

CURRENT SITUATION

LEGAL FRAMEWORK

In the field of copyright and related rights, in October the Law Amending the Law on Copyright and Related Rights (Official Gazette of the Republic of Macedonia No. 131/2007), (LALCRR) was adopted. The amendments of this Law aim at better implementation and enforcement of the copyright and the related rights protection. The Law is harmonised with the Law on Misdemeanours (Official Gazette of the Republic of Macedonia No. 62/06) and the Law on State Market Inspectorate (Official Gazette of the Republic of Macedonia 24/07). Within the amendments of this Law, the misdemeanours sanctions are pronounced by the authorised Court with a fine given in euros in the denar counter value, the minimal and maximal account of the fine for legal and all types of natural persons is increased; the fines for sanctions done because of cupidity or those which cause bigger property damage are increased (for legal person EUR 10,000, and for natural persons EUR 6,000). Also, the regulations for pronouncing additional sanctions are harmonised - for prohibition on conducting activity and seizure of the samples of copyrights and related rights, as well as other means used or aimed at misdemeanours execution by their destruction after the validity of the court decision. Moreover, the term for prescription of the sanction is limited (expiry term is after two years).

The inspection competencies on the copyright and related rights (CRR), trading goods and services in accordance with the Law is completely located in the Ministry of Economy - State Market Inspectorate (ME_SMI), and The Ministry of Interior (MI) remains competent for production, reproduction, compatibility, editing and recording of computer programmes, music and audio-visual works on sound carriers, as well as on sound and image carriers. The Ministry of Culture performs surveillance over the associations for collective administration of CRR, as competent body acting on first level for issuing licences to, these associations. The terms for procedures issuing the agreement of the acts of the associations for collective administration are shortening to 30 days.

INSTITUTIONAL FRAMEWORK

The Ministry of Culture (MC) is a competent body in the field of CRR including the surveillance of the associations for collective administration of CRR. The Sector for Copyright and Related Rights has three employees and one person with working contract in two units (Unit for Copyright and Unit for Related Rights).

The Commission for intermediation in the copyright and related rights (Official Gazette of the Republic of Macedonia No. 88/95) continues in the period 2006-2007, according to its Rules of Procedure, to decide on procedures of acts for using and distributions of fees for the related rights on phonograms and recorded performances. *The Advisory Body in the field of copyright*, consisted of domestic experts on certain issues in this area has been consulted many times during the mentioned period.

The procedures on issuing approval for the acts of the holders of the issued licences for two new associations for collective administration of related rights (Official Gazette of the Republic of Macedonia No. 111/06), for using and distribution of fees for related rights are ceased because of the initiated administrative disputes and the same are in a standstill condition. According to the Decision on establishing the Coordinative Body for Intellectual Property and its scope of work of (Official Gazette of the Republic of Macedonia No. 56/2007), the Coordinative Body for Copyright and Related Rights is abolished.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In 2008 the Government of the Republic of Macedonia, upon the proposal of the Ministry of Culture, will adopt the Decision on the total amount of the fees for reproduction of copyright for private use.

In the short-term period, according to the Directive 32004L0048 for implementation of the protection of the rights on intellectual property a detail analysis will be performed. The Ministry of Justice (MJ), the MC and the State Office of Industrial Property in 2008 will make a detail re-examination on the needed scope of the amendments of the domestic legislation - the litigations and material regulations in the field of justice as well as the special regulations on the intellectual property rights.

The Ministry of Culture will re-examine the manner of establishing the administrative taxes because the decreasing of too high court and other taxes, in order to stimulate the holders of the intellectual rights to initiate and to conduct procedures for protection of their rights.

INSTITUTIONAL FRAMEWORK

The capacities of the CRR Sector in the Ministry of Culture will be strengthened. The Sector, with the existing departments will be personally equipped in 2008. Therefore, in 2008 the following acts will be amended: on organisation and work, on systematisation of working posts.

The assistance to the existing *associations for collective administrations* will continue, and the possibilities for establishing new associations for other types of using the copyrights and the subjects of related rights by means of budgetary assets, conclusion of agreements for renouncing/granting business premises and equipment in order to their complete establishing and functioning in the first years of their operation.

The continuous trainings, seminars and workshops of the staff which are indirectly involved in the material of CRR will be also in function of specialised and practical training for CRR, particularly the bodies for implementation, including the associations for collective administrations and other holders of the rights, also including the activities for their professional training and improvement through written agreements - formal training through competition for supplying appropriate expertise, particularly for deficient areas and/or staff.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The international trends of CRR, EU regulations and other international associations and analysis of the possibilities for their transposition in the domestic legislation will be followed.

In 2009 a new Law on Copyrights and Related Rights will be adopted. The new Law on Copyrights and Related Rights will examine the existing Law (Official Gazette of the Republic of Macedonia No. 47/96, 3/98, 98/02, 4/05, 131/07) in order to make more consistent and more qualified surpassing of the recognised vagueness, collisions of the competences and omissions caused by the frequent amendments. Apart from the transposition of the new Directive of EU, the obligations towards eventually new international agreements from CRR will also be realised in Law on Copyrights and Related Rights. The decisions and the experiences of the already initiated reforms in the judicial system and in other systemic laws will be applied, as well as the comparative experiences in other countries particularly in the field of the collective administration and surveillance. The expert domestic and foreign assistance will be used, as well as the assistance of the expert and interested public.

INSTITUTIONAL FRAMEWORK

By 2010 in medium-term priority, the CRR Sector should complete the total number of employment posts in order to achieve the performance efficiency.

The assistance to the existing collective associations will continue, and the possibilities for establishing new associations for collective administration for other types of using of the copyrights and the subjects of related rights by means of budgetary assets including agreements for renouncing/granting business premises and equipment will be opened in order to their complete establishing and functioning in the first years of their operation.

The continuous trainings, seminars and workshops of the staff which are indirectly involved in the material of CRR will be also in function of specialised and practical training for CRR, particularly the bodies for implementation, including the associations for collective administrations and other holders of the rights, also including the activities for their professional training and improvement through written agreements - formal training through competition for supplying appropriate expertise, particularly for deficient areas and/or staff.

3.7.2 INDUSTRIAL PROPERTY RIGHTS

CURRENT SITUATION

LEGAL FRAMEWORK

In 2007 the Law Amending the Law on Industrial Property was adopted (Official Gazette of the Republic of Macedonia No. 79/07), which harmonises the Law on Misdemeanours and stricter sanctions are foreseen for the violators of the Industrial Property Rights (IP).

Activities related to the accession to the European Patent Convention (Convention on the Grant of European Patents-European Patent Convention) were conducted in the second half of 2007. The translation on the Convention, on the Rulebook and the Protocols to the Convention is made. An initiative for amendmends of the Criminal Code is instigated (Official Gazette of the Republic of Macedonia No. by the State Office of Industrial Property in the second part of 2007 aiming at harmonisation of incriminated activities for violation of the industrial property rights within the Law on Industrial Property (Official Gazette of the Republic of Macedonia No.47/02, 42/03, 9/04, 39/06 and 79/07) in order to make the criminal sanctions more strict.

INSTITUTIONAL FRAMEWORK

The body competent for implementation of the Law on Industrial Property CRR and the Law on Protection of Topographies of Integrated Circuits (Official Gazette of the Republic of Macedonia No. 05/1998 and 33/2006) is the *State Office of Industrial Property* (SOIP), an independent state body which is self-financing. The total number of employees in SOIP (in 4 sectors and 8 units) is 30 civil servants.

Within the activities for raising the public awareness, SOIP published three brochures for small and medium-sized enterprises of WIPO, organised regional seminar, conference, promoting manifestations and maintained meetings with firms in the Units of the local self-government. For the purpose of strengthening the bilateral cooperation a Memorandum for cooperation with WIPO, Memorandum and Cooperation Agreement with Hungarian Patent Office and Cooperation Agreement with the Office for Intellectual Property of Republic of Slovenia were signed.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The ratification process of the European Patent Convention will be completed in 2008 with the adoption of the Law on Ratification of the European Patent Convention. For the purpose of harmonisation of the Law on Industrial Property with the Directive 32004L0048 and other international agreements, in 2008 a detail analysis will be made within a framework of a very precise timetable. In 2008 the Law on Ratification of the International Convention for Protection of New Variety of Plants - UPOV Convention (will be adopted (more details in Chapter 12 Phytosanitary Policy).

INSTITUTIONAL FRAMEWORK

In order to strengthen the capacity of the SOIP new persons will be employed in 2008 and a continual professional training will be realised for the stated. Providing the access to the databases of the Office through the website the continual cooperation with the other participants in the system of the industrial property will be ensured.

Within the Programme for Cooperation with EPO a realisation of the IPA regional project for intellectual property is provided supported by EC, EPO, OHIM and WIPO, consisting of four parts, namely: 1. Further harmonisation of the national legislation with the EU Legislation; 2. Strengthening the capacities of the institutions included in the system for protection of the intellectual property; 3. Support for implementation of the protection of the intellectual property rights and 4. Strengthening the sustainability of the institutions for intellectual property. The authorisation for national coordinator will be given to SOIP. The total value of the regional project is EUR 2,000 000.

The training of the employees in the Office, as well as the other subject involved in the system of protection will be realised through national and regional seminars, study visits and other activities within the frames of the cooperation with WIPO, EPO and other bilateral cooperation.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Six months after the adoption of the new Law on Industrial Property, which will be harmonised with the Directive 32004L0048, (in 2009) new bylaws will be adopted, as a result of this Law. The procedure for adopting the Law on Ratification of the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks, the Law on Ratification of the Patent Law Treaty and the Law on Ratification of the Trademark Law Treaty will start in the first quarter of 2009. The amendments in the European directives will be monitored continuously, and consequently the harmonisation of the national legislation will be made.

INSTITUTIONAL FRAMEWORK

The Office will employ new persons in 2009 and in 2010, thus providing the optimal number according to the employment posts. The level of technical equipment will be maintained and there will be continuous training of the employees in the Office, as well as other subjects involve in the system for protection of the intellectual property.

3.7.3 IMPLEMENTATION

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework was amended and improved. For the purpose of harmonisation of the Law on Criminal Procedures, the Law Amending the Law on Customs Measures for Protection of Intellectual Property was adopted (Official Gazette of the Republic of Macedonia No. 107/07). The new Law on State Market Inspectorate was adopted. (Official Gazette of the Republic of Macedonia No. 24/07 and 81/07) which regulates the competencies, authorisations and organisation of the State Market

Inspectorate. For the purpose of harmonisation of the Law on Criminal Procedures and transposition of the authority of the inspection surveillance from the Ministry of Culture to the State Market Inspectorate the Law Amending the Law on Copyright and Related Rights was adopted (Official Gazette of the Republic of Macedonia No.131/07). Initial analysis on the Directive 32004L0048 is made. Aiming at more precise qualification of the criminal acts in the field of copyright and related rights, as well as at enforcement of the criminal sanctions, the Law Amending the Law on the Criminal Code was adopted (Official Gazette of the Republic of Macedonia No. 07/2008).

INSTITUTIONS

According to the Law Amending the Law on Copyright and Related Rights the inspection surveillance on the copyright and related right in trading goods and services is transferred to the Ministry of Economy - State Market Inspectorate, and the Ministry of Interior (MI) is a competent body for production, reproduction, compatibility, publishing, recording of computer programmes, music and audio-visual works on sound carriers, as well as sound and image carrier. With the support of TEMPUS Project for protection of copyright and related rights, the inspectors of the State Market Inspectorate was trained, and with the support of the Centre for Education for the intellectual property on the Faculty of Law "Justiniana Prima" training of 25 inspectors for recognising the legal MICROSOFT software was realised in December 2007.

Within the Customs Administration training for recognising of the originals from forgeries and pirated items was conducted. (the matter is presented in detail in Chapter 29. Customs Union). (The matter regarding the Ministry of Interior for the Sector for Financial Crime, Unit for Cyber Crime and forgeries is presented in detail in Chapter 24: Justice, Freedom and Security).

Aiming at keeping records of the disputes and more efficient monitoring over the subjects of intellectual property, the Court Rules of Procedure (Official Gazette of the Republic of Macedonia No. 71/07) was adopted. There are 200 officers from the Court Administration trained for application of the Court Rules of Procedures in electronic form. The Strategy for Information and Communicative Technologies in Justice (2007-2010) was adopted regarding all judicial bodies and the Ministry of Justice. According to the Programme for training of judges and public prosecutors in the Academy for training of Judges and Prosecutors

SHORT-TERM PRIORITIES

DEVELOPMENT OF THE LEGAL FRAMEWORK

A Trade court located in Skopje will be established in accordance with the Law Amending the Law on Courts which will be adopted in 2008, also the units in the Courts in Bitola, Stip and Gostivar will be established. Within the frameworks of this Court and units, the competencies for the cases regarding the intellectual property will be foreseen.

In 2008 activities correlated with the National Strategy for Intellectual Property and the Action Plan for strengthening the capacities for implementation and enforcement of Acquis in all the areas covered in this Chapter will be carried out, and the same activities will be supported by USAID (Project for Business Management and WIPO).

In relation to the Directive 32004L0048 on implementation of the intellectual property rights proposals for law texts with amendments needed in the Law on Industrial Property and Law on Copyright and Related Rights will be drafted in 2008. An in depth analysis within a timeline will be made for harmonisation of the litigation laws in 2008 (Law on Litigation Procedure and the Law on Criminal Procedure) regarding the level of the alignment of the Directive 32004L0048.

The Law Amending the Law on the Criminal Code will be adopted thus managing precise and terminological harmonisation of the criminal acts in the field of industrial property and stricter sanctions will be foreseen. In 2008 the Ministry of Justice will make an Analysis of the effects from the application of the Law on Litigation Procedure, as well as the Strategy for reforms of the civil material. (More details in Chapter 23 Judiciary and Fundamental Rights).

INSTITUTIONS

The building of the rights protection system will continue through realisation of the Programme for Coordinative Body for Intellectual Property thus enlarging the efficiency of the rights administration. In the first part of 2008 the project for strengthening the capacity of the members of IPCB through USAID and other subjects involved through IPA regional project for intellectual property will be realised. the web site of SOIP will maintain more transparent access to the data of the registered and re-owned industrial property rights.

There will be continuous training of the employees in the institutions involved in the system of implementation of the protection.

To the end of raising the public awareness for the importance of the intellectual property rights a Programme for promotion of entrepreneurship and innovation of small and medium-sized enterprises will be prepared in 2008 buthe Ministry of Economy. The activity will be implemented in cooperation with the Agency for Promotion of Entrepreneurship.

The Customs Administration in cooperation with the Ministry of Culture and the State Office for Industrial Property in January 2008 will start a campaign for raising the public awareness, as well as for the importance of the intellectual property rights. The campaign will be financially supported by the Embassy of Holland (more details in Chapter 29. Customs Union).

With the reorganisation of the State Market Inspectorate, the specialisation/expertise of the SMI will be achieved and implementation of the intellectual property rights. The capacity of SMI will be enlarged with new employments in 2008. A project for supplying of computer equipment and other equipment for SMI will be realised through the European Agency for Reconstruction. Within the Project for Market Surveillance supported by the Agency of European Reconstruction trainings for SMI will be conducted regarding the protection of the intellectual property rights. (More details in Chapter 1 Free Movement of Goods).

Within the reform in the judiciary a continuous trainings of judges in the field of intellectual property will continue according to the Programme for training of the judges and the public prosecutors supported by the Academy for training of judges and public prosecutors. Hardware and software equipment will be provided for the courts and prosecutors offices and network connections with the database. The capacities of the Sector for Judiciary within the Ministry of Justice will be strengthened with employment of new persons. (More details in Chapter 23 Judiciary and Fundamental Rights).

The Centre for education on Intellectual Property on the Faculty of Law "Justiniana Prima" - Skopje will continue with training of the target groups involved in the implementation and enforcement of the intellectual property rights.

MEDIUM-TERM PRIORITIES

DEVELOPMENT OF THE LEGAL FRAMEWORK

The international trend for implementation of the protection of the intellectual property rights will be followed. In 2009 activities the National Strategy for Intellectual Property and the Action Plan for strengthening the capacities for implementation and enforcement of Acquis in all the areas covered in this Chapter will be adopted.

MEDIUM-TERM PRIORITIES

INSTITUTIONAL FRAMEWORK

The Methodology for statistical monitoring and statistical data processing on the activities undertaken from the implementation of the protection of the intellectual property rights by the State Statistical Office will be prepared. The IRIS system for exchange of statistical data between the institutions involved in the system of implementation of the protection of intellectual property rights will be put in function. In the medium-term period new promotion activities and campaigns will be realised.

The technical and staff capacities involved in the system of protection of the intellectual property rights will be continuously strengthen through new employments, acquisition of provided technical equipment and trainings of the subjects involved in the implementation of the intellectual property rights.

3.8 COMPETITION

3.8.1 ANTITRUST, INCLUDING MERGERS

CURRENT SITUATION

LEGAL FRAMEWORK

Basic act regulating the existing legal framework in the area of protection of the competition in the Republic of Macedonia is the Law on Protection of Competition (Official Gazette of the Republic of Macedonia Nos. 04/05; 70/06 and 22/07). The Law is harmonised with the Treaty establishing the European Community (Articles 81, 82 and 86); and the EU measures 31962R0017, 32003R0001, 31971R2821, 32004R0139, 31997Y1209(01) and 52001XC1222(03).

In 2007, Law Amending the Law on Protection of Competition (Official Gazette of the Republic of Macedonia No. 22/07) was adopted, whereby the Commission for Protection of Competition (CPC) became competent for imposing misdemeanour sanctions to enterprises having committed violations of the provisions under the Law on Protection of Competition.

During 2007 the following acts were adopted:

1. Guidelines on defining relevant markets;
2. Guidelines on evaluation of horizontal concentrations; and
3. Guidelines on the manner of setting fine imposed according to Article 47 of the Law on Protection of Competition.

These Guidelines are published on the CPC website.

Two memorandums of cooperation were signed with the Broadcasting Council and the Public Procurement Bureau.

INSTITUTIONAL FRAMEWORK

Pursuant to the Law on Protection of Competition (LPC), a competent body to implement the Law is the Commission for Protection of Competition (CPC). The Commission is an independent body comprising a President and four members. The President and the members are appointed and dismissed by the Assembly of the Republic of Macedonia for a period of five years, with a right to re-appointment. Managing, specialised and other administrative and technical operations are performed by the specialised service within the Commission.

The Commission is in charge of controlling the enforcement of legal provisions and regulations adopted on the basis of the Law; monitoring and analysing the trends on the market to the level necessary for development of free and effective competition; carrying out procedures and adopting decisions on the issues regulated by the Law; determining the methodology for market research; determining the rules and measures for protection of competition; measures for eliminating the barriers, limitations or distortions to competition; providing opinions on draft laws and other acts that regulate the issues pertaining to the economic activity, which can influence the market competition; providing expert opinions on issues related to the policies on competition and protection of market competition, upon request by the Assembly, Government of the Republic of Macedonia, other state bodies, enterprises or ex-officio; performing activities arising from international obligations of the Republic of Macedonia in the field of protection of competition, as well as other activities stipulated by the Law.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In 2008, adoption of the following guidelines is envisaged on application of the Law and the bylaws, which, upon the proposal by the professional services, are adopted by the Commission:

- Guidelines on evaluation of vertical and conglomerate concentrations;
- Guidelines on the obligations undertaken before the Commission by the participants in the concentration pursuant to Article 20 and Article 22 of the Law, and
- Guidelines on the application of Article 7 paragraph (3) of the Law regarding Article 11 of the Law

INSTITUTIONAL FRAMEWORK

To the end of strengthening the institutional capacity and the staff of the Commission for Protection of Competition, in 2008, new employments and trainings are envisaged for the members of the Commission and the employees under the BERIS project for reforms in the business environment and strengthening of the institutions, financed by the World Bank and the GTZ project.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The following is envisaged on medium term:

- Adoption of a Law Amending the Law on Protection of Competition or adoption of new Law on Protection of Competition that would further harmonise the national legislation with the *acquis* (by end-2009).

- Harmonisation of the Law on Protection of Competition with the EU Regulations 31987R3976 and 32006R1459, which regulate block exemptions granted to agreements in the field of air traffic (by end-2010).
- Further harmonisation of the national legislation with the *acquis* (by end-2010).

INSTITUTIONAL FRAMEWORK

New employments are envisaged during 2009 and 2010. Further strengthening of the administrative capacity of the Commission for Protection of Competition will be made through BERIS project on reforms in business environment and strengthening of institutions, financed by the World Bank and the GTZ Project.

FOREIGN ASSISTANCE

- BERIS, Business Environment Reform and Institutional Strengthening Project of the World Bank
- GTZ – Open Regional Fund for Southeast Europe – Legislation Reforms
- Assistance through the TAIEX Instrument of the European Union

3.8.2 STATE AID

CURRENT SITUATION

LEGAL FRAMEWORK

The legislation for state aid covers the Law on State Aid (Official Gazette of the Republic of Macedonia, Nos. 24/03, 70/06 and 55/07), as well as the bylaws adopted on the basis of the Law:

- Decree on the forms and procedure of notification to the State Aid Commission (Official Gazette of the Republic of Macedonia, No. 81/03);
- Decree on establishing conditions and procedure for granting aid for rescuing and restructuring of firms in difficulty (Official Gazette of the Republic of Macedonia, No. 81/03)
- Decree on establishing conditions and procedure for granting regional aid (Official Gazette of the Republic of Macedonia, No. 81/03) and
- Decree on conditions and procedure for granting horizontal state aid (Official Gazette of the Republic of Macedonia, No. 157/07)

Macedonian state aid legislation is aligned with the Treaty establishing the European Community, Articles 87-89 and the EU regulations 32001R0069 and 31999R0659.

Law Amending the Law on State Aid was adopted in 2007 (Official Gazette of the Republic of Macedonia, No. 55/07), creating the legal basis for adoption of the Decree on conditions and procedure for granting horizontal state aid (Official Gazette of the Republic of Macedonia, No. 157/07).

INSTITUTIONAL FRAMEWORK

Pursuant to the Law Amending the Law on State Aid (Official Gazette of the Republic of Macedonia, Nos. 70/06 and 55/07) the competence for supervision and control of the state aid granted in the Republic of Macedonia was taken over by the Commission for Protection of Competition. When the Law Amending the Law on State Aid entered into force, a Sector for State Aid Control was established within the Commission for Protection of Competition. The Sector for State Aid Control consists of 5 (five) employees with university degree, 3 (three) of whom are economists and 2 (two) are lawyers. Employment of 1 (one) person in the Sector for State Aid Control is in process.

By assigning persons in charge of registration of state aid by the providers of state aid with the Commission for Protection of Competition, system has been established for monitoring and evaluating state aid structure. The Sector performs all activities in the field of state aid, as stipulated by the Law.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

No changes to the state aid legislation are envisaged in 2008.

INSTITUTIONAL FRAMEWORK

The following activities have been envisaged as short-term priorities for strengthening the institutional capacity in the field of state aid:

1. Employment of new persons with university degree at the Sector for State Aid Control within CPC by the end of 2008;
2. Conducting trainings for the employees at CPC for efficient implementation of the Law on State Aid, especially in the part regarding investigative techniques and case handling, and
3. Training for the state aid providers.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The following activities have been envisaged as medium-term priorities in the field of state aid legislation:

1. Establishment of a reliable file for carrying out state aid control;
2. Adoption of a methodology for setting the level of compensation for the companies entrusted with the performance of services of general economic interest;
3. Harmonisation of the industrial policies with the state aid regulations and
4. Further harmonisation of the national legislation with the *acquis*.

INSTITUTIONAL FRAMEWORK

The following activities have been envisaged as medium-term priorities for strengthening the institutional capacities in the field of state aid:

1. Trainings for strengthening the staff capacities of CPC for carrying out investigative procedures for granting state aid and other responsibilities stipulated by the Law;
2. Improvement of the procedures for investigating state aid and
3. Raising the awareness of the governmental institutions and the business sector for the state aid through organising seminars, trainings, campaigns, conferences and other events.

FOREIGN ASSISTANCE

- BERIS, Business Environment Reform and Institutional Strengthening Project of the World Bank
- GTZ - Open Regional Fund for Southeast Europe – Legislation Reforms
- Assistance through the TAIEX Instrument of the European Union

3.8.3 LIBERALISATION

This area is covered in other chapters.

3.9 FINANCIAL SERVICES

3.9.1 BANKS AND FINANCIAL CONGLOMERATES

CURRENT SITUATION

LEGAL FRAMEWORK

In 2007 new Law on Banks was adopted (Official Gazette of the Republic of Macedonia No. 67/07).

The Law achieves market liberalisation by enabling entry of foreign banks, including banks from the EU, through branch offices, as well as improvement of the legal regulations in multiple areas, especially in the area of corporate governance of banks, consolidated supervision, strengthening the bank shareholder criteria, introduction of gradation in the types of measures that can be imposed, greater efficiency of the bank exit procedure (bankruptcy and liquidation) from the banking system.

In accordance with the Law on Banks, in the period June - December 2007, the NBRM adopted several bylaws.

A bylaw was adopted which, pursuant to the provisions of the new Law on Payment Operations (Official Gazette of the Republic of Macedonia No. 113/07), will regulate in more detail the institutions issuing e-money. The bylaw is fully harmonised with Directives 32000L0046 and 32006L0048.

INSTITUTIONAL FRAMEWORK

The NBRM, as a competent supervisory body for the banks, engages adviser-coordinator to the Governor, coordinating the activities and being a link between the Governor and the respective Directorates (Supervision Directorate and Banking Regulation Directorate).

The NBRM has signed Memoranda of cooperation and exchange of information and data with multiple regulatory and supervisory bodies in the country (Securities and Exchange Commission, Ministry of Interior, Central Securities Depository, Central Register) and abroad. Also, the NBRM signed memorandums of cooperation with the supervisory bodies of Italy, France, Serbia, Bosnia and Herzegovina and Turkey.

An informal Interinstitutional Body was established, having as members on expert level representatives from the regulatory and supervisory bodies in the Republic of Macedonia, the main objective of which is considering issues and problems in all segments of the financial system.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The NBRM will complete the bylaws arising from the Law on Banks by the fourth quarter of 2008 inclusive, when bylaws will be adopted regulating the following in more detail: credit risk management and asset classification; associated entities; bank exposure limits; liquidity risk; risk management; consolidated supervision.

By 2008 a new Decision on the contents and the manner of the Credit Register functioning will be drafted.

It is planned to establish a Sector for Supervision, Banking Regulations and Financial Stability.

By end-2008, the regulatory framework will be completed on the minimum capital requirement for operating risk - Basic Indicator/Standardised Approach through preparation of a bylaw on operating risk management. By end-2009 the regulation framework will be completed regarding the minimum required capital for credit risk – Standardised Approach. This regulation is expected to be implemented in 2010.

By end-2008 the scope of the financial conglomerates and their supervision will be defined, thus transposing the Directive 32002L0087.

INSTITUTIONAL FRAMEWORK

A private credit bureau will start operations in 2008.

The Supervision Development Plan is in the process of realisation, envisaging transition towards risk-based supervision. The realisation of the Plan is aimed at implementing the second pillar of the New Capital Accord (Basel II).

Activities related to the implementation of the Risk-Oriented Supervision Plan will continue in the following period. Under the Dutch grant, which is a support to the PDPL3 Arrangement with the World Bank, ToRs for ten areas were sent to the office of the Ministry of Finance. Significant component is the design of a document management information system. In the third quarter of 2008 new Credit Registry of the NBRM will start functioning. For this purpose, there are ongoing activities for employing two persons in the area of IT.

For the needs of analysis of the financial stability, software is to be procured for econometric estimates – STATA.

By end-2009 the regulation framework will be completed regarding the minimum required capital for credit risk – Standardised Approach.

This regulation is expected to be implemented in 2010.

On the basis of the answers in the questionnaire sent by the NBRM regarding the implementation of Basel II, the conclusion was that banks are still not prepared to apply the advanced internal models on setting the level of capital required for covering credit and operating risk: Internal Ratings-based approaches and the Advanced Measurement Approaches.

By end-2009 regulations on cross-border financial services will be prepared, i.e. legislation will be further harmonised with Directive 32006L0048. The regulation will start applying as from the accession of the Republic of Macedonia to the European Union.

In the first quarter of 2010, deposits of legal entities will be included in the Deposit Insurance Fund, thus fully transposing Directive 31994L0019.

INSTITUTIONAL FRAMEWORK

The implementation of the Supervision Development Plan of the NBRM will be completed, i.e. shift towards supervision based on the risks the banks face in their operations and their management in December 2009.

FOREIGN ASSISTANCE

Technical assistance from the Central Bank of the Netherlands, in the area of supervision and financial stability.

- Funds from the Dutch Trust Fund for training the supervisors within the process of shifting towards risk-based supervision.
- Planned project
- DNB – technical assistance in the area of bank regulations (implementation of the regulation on market risks, liquidity risk, ISFR, prudential regulations and financial stability).
- Project according to the needs
- Drafting the regulation Basel II – operating risk (second half of 2008).

3.9.2 INSURANCE AND PROFESSIONAL PENSION INSURANCE

CURRENT SITUATION

Insurance market in the Republic of Macedonia comprises 12 insurance companies and 5 insurance brokerage companies. Of these, 2 insurance undertakings perform life insurance activities, while the others perform non-life insurance activities. Insurance brokerage companies perform insurance brokerage activities within all classes of insurance.

The Republic of Macedonia has reformed pension system, as three-pillar pension system which is part of the social insurance. First pillar is represented by the national Pension and Disability Insurance Fund of Macedonia, which operates on the basis of the pay-as-you-go principle. The second pillar is a mandatory fully funded pension insurance. Two pension fund management companies operate in this field, each administering one pension fund. Two pension fund management companies are with mixed founding capital, domestic and foreign, the share of foreign capital being 51%. The third pillar will be voluntary fully funded pension insurance and will start functioning in 2008.

LEGAL FRAMEWORK

Basic acts regulating the existing legal framework in the area of insurance are the following: Law on Insurance Supervision (Official Gazette of the Republic of Macedonia No. 27/02, 84/02, 98/02, 33/04 and 79/07), Law on Compulsory Insurance in Traffic (Official Gazette of the Republic of Macedonia No. 88/05 and 70/06), Law on Obligations in the part pertaining to insurance contracts (Official Gazette of the Republic of Macedonia No. 18/01, 4/02 and 5/03) and Company Law (Official Gazette of the Republic of Macedonia No. 28/04).

The Law on Insurance Supervision, adopted in April 2002, incorporates the insurance principles and standards of the International Association of Insurance Supervisors (IAIS), as well as the EU Directives on insurance. The Law is largely aimed at establishing strict rules for risk management. Insurance companies can be established solely as a joint-stock company, with the main offices in the Republic of Macedonia. Establishment of insurance company requires a license issued by the Ministry of Finance that can be related to one or more classes of insurance exclusively within one of the groups of insurance, that is, non-life insurance or life insurance. Insurance company can be founded under equal terms and conditions by both domestic and foreign natural persons and legal entities. In 2007, the Law Amending the Law on Insurance Supervision was adopted (Official Gazette of the Republic of Macedonia No. 79/07) and the basic objective is to further harmonise with the EU acquis in this area and adopt the European principles and standards especially in the area of strengthening the independence of the supervisory body, strengthening the fit and proper criteria regarding the management bodies and shareholders in the insurance companies, as well as further strengthening of the preventive and corrective supervision measures. The Law makes further harmonisation with the EU Directives regarding the solvency of the insurance companies and directives in the area of insurance intermediation.

The Law on Compulsory Insurance in Traffic (Official Gazette of the Republic of Macedonia No. 88/05 and 70/06), envisages greater protection of interests of claimants in traffic accidents by increasing the insurance amounts and their gradual harmonisation with the insurance amounts adopted in the EU directives, regulation of period for reporting and compensating a damage by insurance companies, establishing the right to mediation, strict regulation of the competences of the Guarantee Fund.

The Law on Mandatory Fully Funded Pension Insurance (Official Gazette 29/2002) regulates the establishment and operations of the pension fund management companies, membership in the pension funds, reporting, fees, investing and valuation of the resources of the Pension Funds, custodian of the resources of the Pension Funds, establishment and functions of the Agency for Supervision of Fully Funded Pension Insurance, as well as other issues important for the mandatory fully funded pension insurance.

In June and July 2007, the Agency for Supervision of Fully Funded Pension Insurance adopted 3 new bylaws arising from the Law on Mandatory Fully Funded Pension Insurance (Official Gazette 29/2007).

In addition, MAPAS and the Ministry of Labour and Social Policy drafted and sent to the Government of the Republic of Macedonia draft Law Amending the Law on Mandatory Fully Funded Pension Insurance, limiting the allowances and increasing the competition. The draft law creates a possibility to establish new companies for management with mandatory pension funds.

INSTITUTIONAL FRAMEWORK

Competent body for adoption of the legal regulation in the area of insurance and conducting supervision over the operations of the insurance companies and insurance brokerage companies in the Republic of Macedonia is the Ministry of Finance, within which the following two units are responsible for the insurance system: Unit for Insurance System (3 employees), in charge of preparing the laws and bylaws in the field of insurance and licensing of insurance companies, insurance brokerage companies, insurance brokers and actuaries, and Unit for Insurance Supervision (3 employees), in charge of conducting on-site and off-site supervision over the operations of the insurance companies and insurance brokerage companies. Both units function within the Sector for Financial System.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In the course of 2008, approximately 30 bylaws arising from the Law on Insurance Supervision will be adopted, which will more precisely regulate certain issues related to the operations of the insurance companies, such as the manner of establishing technical reserves, investing funds that cover the technical reserves, the manner of determining the capital and the necessary level of solvency margin, calculating the liquidity ratio, detailed contents of the annual report of the insurance companies, detailed contents of the audit report, new chart of accounts and balance sheets for the insurance companies, etc. The adoption of the bylaws will lead to further harmonisation with Directive 31991L0674 which refers to the consolidated financial reports of the insurance companies, as well as the third generation Directives on non-life insurance and life insurance in the area of detailed regulating of the necessary level of solvency margin and the capital of the insurance companies, monitoring the liquidity and other measures pertaining to risk management.

In line with the assumed obligations under the Stabilisation and Association Agreement between the Republic of Macedonia and the European Union, a branch of a foreign insurance company may perform insurance-related activities on the territory of the Republic of Macedonia by the commencement of the II stage of the Stabilisation and Association Agreement at the latest, under the terms and conditions stipulated in the Law on Insurance Supervision.

With the purpose of harmonising the new Law on Misdemeanours and allowing for the Insurance Supervision Agency to be in charge of a part of the misdemeanours, in September 2007, the Law Amending the Law on Compulsory Insurance in Traffic is in parliamentary procedure, which is expected to be adopted in the first quarter of 2008.

The Law on Voluntary Fully Funded Pension Insurance, as basis for establishment of the third pillar – voluntary fully funded pension insurance, is in parliamentary procedure, and is expected to be adopted in the course of 2008. This Law provide a possibility for the employers to introduce professional pension schemes for their employees, and the provisions in the Law are harmonised with Directive 2003/41/EC of the European Parliament and of the Council on the activities and supervision of institutions for occupational retirement provision. The Directive regulates the activities and the supervision of the institutions for occupational retirement provision. The Law will introduce the possibility for the natural persons, regardless of whether they are employed or unemployed, to pay in the pension fund so as to additionally save for the old age, i.e. higher level of income after retirement, thus increasing the material safety in old age.

INSTITUTIONAL FRAMEWORK

In the course of 2008, pursuant to the provisions in the Law Amending the Law on Insurance Supervision, competences for carrying out supervision over the operations of the entities on the insurance market will be fully transferred to the newly established Agency for Insurance Supervision, as an independent institution for insurance supervision with public authorisations awarded to it

pursuant to law, in line with the principles and standards of the International Association of Insurance Supervisors (IAIS). It is planned for the Agency to start operating in the first half of 2008; it is established by the Assembly of the Republic of Macedonia as a special legal entity with its statute and other legal acts. It will be directly responsible to the Assembly of the Republic of Macedonia for its operations. In 2008 new employments in ASFFPI are foreseen.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

On the medium term, the Ministry of Finance plans to further harmonise the national insurance regulations with the EU acquis, in particular the implementation of the provisions that pertain to co-insurance, e-commerce, financial conglomerates and further alignment with other regulation adopted in the European Union. The legal framework in the field of insurance will be also additionally regulated by fully transposing the following EU Directives: Directive 78/473/EEC; Directive 84/641/EEC; Directive 87/343/EEC; Directive 87/344/EEC; Directive 91/674/EEC; Directive 98/78/EEC; Directive 2001/17/EEC; Directive 2002/13/EEC; Directive 2002/87/EEC and Directive 2002/92/EEC.

The day the Republic of Macedonia acquires full membership in the European Union, an insurance company from an EU member state can directly perform insurance-related activities on the territory of the Republic of Macedonia, if the competent supervision authority in the member state informs the Ministry of Finance about the data required pursuant to the Law on Insurance Supervision, being regulated under transitional provisions in the Law.

A change is envisaged regarding the manner of determining premium tariffs by establishing Commission for Motor Third Party Liability Insurance, as well as facilitation of cross-border provision of insurance services by introducing so called claims representative and establishing an office for compensation of damages.

Regarding the mandatory insurance in traffic, on the medium run, harmonisation is envisaged with the Fifth EU Directive (V Motor Directive) on motor third party liability insurance.

On the medium term, priority in the field of pension insurance is the continuation of the commenced reforms, primarily finalisation of the legal framework, the Law on Payment of Pensions. Deadline for the adoption of the Law is 2009, whereby, as so far, the Ministry of Labour and Social Policy is the policy creator, and the Agency for Supervision of Fully Funded Pension Insurance (MAPAS) adopts the bylaws and performs supervision. In addition, regarding the Law on Payment of Pensions, from the point of view of the voluntary pension insurance, it is envisaged for the disbursements to be executed directly from the Funds, and the annuities to be paid by a special institution to be authorised to act so. The respective institutions will be determined under the Law.

INSTITUTIONAL FRAMEWORK

Regarding the institutional and administrative capacity, on the medium term, full operational functioning of an independent supervisory body is envisaged – Agency for Insurance Supervision, which will have the capacity to conduct adequate, professional and continuous supervision over the operations of the insurance companies and insurance brokerage companies.

In 2009 and 2010, it is planned for the number of employees to be increased.

FOREIGN ASSISTANCE

3.9.3 FINANCIAL MARKETS INFRASTRUCTURE

CURRENT SITUATION

LEGAL FRAMEWORK

In 2007, new Law on Payment Operations was adopted (Official Gazette of the Republic of Macedonia No. 113/07), governing the payment operations in the country, the relations between the holders of payment operations and the participants in the payment operations, the relations between the holders of payment operations and the National Bank of the Republic of Macedonia regarding the payment operations, as well as the payment systems, settlement of payments, issuance of e-money and supervision over the payment systems.

Law on Payment Operations comprises a special Chapter 5 – Payment Systems, incorporating the respective provisions on payment systems to the end of harmonisation with the EU acquis, recommendations and standards on payment systems, for the purpose of maintaining an efficient and stable payment system as basis of the financial sector, contributing to the economic development of the country.

Directive 31998L0026 is transposed in this part of the Law, pertaining to settlement finality and settlement systems. Pursuant to the Law and in line with EU acquis, payment system is a more complex structure than the payment operations, which basically involves the holders of payment operations, regulating their mutual relations, as well as the relations with the participants in the payment systems who are not directly contacting the payers (participants in the payment operations).

INSTITUTIONAL FRAMEWORK

Ministry of Finance, i.e. Sector for Financial System, prepared the new Law on Payment Operations. Supervisory institution, closely determining both the rights and the obligations of the participants in the payment operations, is the National Bank of the Republic of Macedonia.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

By the end of the first half of 2008, in line with the programme of the Government of the Republic of Macedonia, the Law on Financial Security will be adopted, regulating the special rules applicable on financial security of claims, concluded between certain entities on the financial market.

Directive 32002L0047 will be transposed in the Law.

This Directive will closely govern the legal relations between the entities on the financial market, which appear when securities or cash are used as security for the claims.

INSTITUTIONAL FRAMEWORK

Institutions in charge of the adoption of the Law on Financial Security are the Ministry of Finance, in cooperation with the Ministry of Justice, the Ministry of Economy and the National Bank of the Republic of Macedonia.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

On 15 October 2007, the Council of the European Union adopted the new Directive 32007L0064 on payment services, which is to reduce the payment-related costs and to facilitate the payments throughout the EU.

To the end of further harmonisation of the Macedonian regulation in the field of financial markets with the EU *acquis*, it is envisaged to implement the above-mentioned Directive in 2010.

INSTITUTIONAL FRAMEWORK

Institution in charge of transposing the Directive 97/7/EC on payment services in the national legislation is the Ministry of Finance, while the National Bank of the Republic of Macedonia will be the institution to perform supervision over the participants in the payment operations so as to consistently apply the regulation.

FOREIGN ASSISTANCE

3.9.4 SECURITIES MARKET AND INVESTMENT SERVICES

CURRENT SITUATION

LEGAL FRAMEWORK

In the course of 2007, the Ministry of Finance prepared a Proposal to pass the Law Amending the Law on Securities. It is proposed, under the Law, to extend the service related to securities performed by the brokerage companies and the banks with a new service of keeping securities, including opening and keeping securities accounts for clients in depositary and other services related to securities upon order by the clients, such as payment of dividends and interest, notifications on assembly of shareholders, etc. The new service can be performed by banks and brokerage companies established with a capital of EUR 500,000.

In addition, the Law envisages achievement of full expert competences of the Securities and Exchange Commission (the president and all commissioners) which will be full-time engaged, to the end of more professional and more efficient performance of their working tasks and strengthening the supervisory function of the Securities and Exchange Commission. Criterion for determining the fee amount paid by the Securities and Exchange Commission is introduced, i.e. these fees, according to the Tariff List of the Securities and Exchange Commission, will correspond to the costs determined in the annual financial plan, the operational programme, as well as the development needs of the Securities and Exchange Commission.

This draft Law will harmonise the Law on Securities with the new Law on Misdemeanours, thus enabling the Securities and Exchange Commission, for the misdemeanours determined under the Law on Securities, to conduct misdemeanour procedure, as well as to pronounce misdemeanour sanctions.

A new draft Law on Investment Funds was drafted in December 2007.

In the course of 2007, Strategy on Enforcement of Law on Securities was prepared, covering the period 2007-2012. It is envisaged to strengthen the role and the functions of the Securities and Exchange Commission in the coming period, thus helping in identifying the areas considered to be the most probable source of misdemeanour of the regulations on operations with securities.

Objective of the Strategy is to decrease the chances for price manipulations and to strengthen the supervisory function of the Securities and Exchange Commission.

In the course of December 2007, Action Plan for Implementation of the Strategy on Enforcement of the Law on Securities was prepared, covering the period 2007-2012. The Action Plan sets the dynamics for implementing the objectives envisaged in the Strategy, the deadlines for their implementation and the performance indicators thereof.

During 2007, *2008-2010 Operational Programme of the Securities and Exchange Commission* was prepared.

INSTITUTIONAL FRAMEWORK

The Securities and Exchange Commission comprises 4 sectors, dealing with the legal and efficient functioning of the capital market, employing 15 people. According to the new systematisation, establishment of Sector for Corporate Finance is envisaged, to process and supervise the audit and accounting reports of the joint stock companies being subject to special obligation for notifications, which are kept in the registry of the Securities and Exchange Commission. The Unit for Capital Market within the Ministry of Finance employs one person on full-time basis and one person is engaged on the basis of temporary employment.

The Securities and Exchange Commission received a grant in 2007 from the World Bank in the amount of EUR 50,000 for engagement of a foreign consultant for preparation of risk-based methodology for control of the market participants (risk-based approach).

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Adoption of the Law Amending the Law on Securities.

By the end-March 2008, all rulebooks arising from the Law on Securities will be adopted. The Law on Investment Funds will be adopted in 2008.

INSTITUTIONAL FRAMEWORK

In the course of January 2008, new persons will be employed in the Sector for Licencing and in the Sector for Capital Market Control. In addition, during 2008, according to the envisaged amendments to the Law on Securities, the Securities and Exchange Commission should be fully professionalized, for the purpose of which several commissioners will be employed on full-time basis. In order to realise the activities related to harmonisation of the new Law on Misdemeanours with the Law on Securities, Securities and Exchange Commission will establish Misdemeanour Commission and Mediation Commission, comprising persons employed with the Securities and Exchange Commission.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Continuous harmonisation will be made of the regulations in the field of capital market with the EU acquis and IOSCO principles.

It is planned to organise promotional activities and campaigns so as to present and inform the broader public about the possibilities to invest in the newly opened investment funds.

The Securities and Exchange Commission will prepare the bylaws arising from the Law on Investment Funds.

INSTITUTIONAL FRAMEWORK

For the purpose of strengthening the capacities of the Securities and Exchange Commission, in particular the control over the securities market, it is envisaged to employ new persons in the Sector for Capital Market Control.

3.10 INFORMATION SOCIETY AND MEDIA

3.10.1 ELECTRONIC COMMUNICATIONS AND INFORMATION TECHNOLOGY

CURRENT SITUATION

A) LEGAL FRAMEWORK

Strategic documents:

The National Strategy for Development of Electronic Communications and Information Technologies fully rests upon the EU initiative for development of information society by 2010. The National Strategy for Development of Electronic Communications and Information Technologies has a mission to involve the economy of the Republic of Macedonia in the world map of networked economies, to establish conditions for a leap forward in the development of the economy by accelerated introduction and massive efficient use of electronic communications and information technologies.

The National Strategy for Information Society Development and Action Plan, which determine the basic directions for development of the information society in the Republic of Macedonia, are split into 8 strategic pillars: Infrastructure, E-Business, E-Government, E-Education, E-Health, E-Citizens, Legislation, and Priorities for sustainable information society development.

Primary Law:

The Law on Electronic Communications (Official Gazette of the Republic of Macedonia No. 13/05, 14/2007 and 55/2007) fully implements the set of EU Directives from 2002 referring to electronic communications. All accompanying bylaws have been adopted by the Ministry of Transport and Communications and the Agency for Electronic Communications.

Other laws containing provisions related to electronic communications development:

1. Law on Protection of Competition (Official Gazette of the Republic of Macedonia No.04/05, 70/06 and 22/07).
2. Law on Consumer Protection (Official Gazette of the Republic of Macedonia No. 38/2004 and 77/07).
3. Law on State Market Inspectorate (Official Gazette of the Republic of Macedonia No. 24/07 and 81/07).
4. Law on Personal Data Protection (Official Gazette of the Republic of Macedonia No. 12/94, 4/02 and 07/05).
5. Law on Standardisation (Official Gazette of the Republic of Macedonia No. 54/2002).
6. Law on Customs Measures for Protection of Intellectual Property Rights (Official Gazette of the Republic of Macedonia No. 38/05).
7. Law on Copyright and Related Rights (Official Gazette of the Republic of Macedonia No.47/96, 3/98, 98/02, 4/05, 23/05, 131/07).
8. Law on Industrial Property (Official Gazette of the Republic of Macedonia No. 47/2002, 42/2003, 9/2004, 39/2006 and 79/2007).
9. Laws related to construction (Law on Construction 51/05, Law on Building Land 53/01).
10. Law on Physical and Urban Planning 51/05 and 137/07).
11. Law on Product Safety (Official Gazette of the Republic of Macedonia No. 33/2006 and 63/2007).

B) INSTITUTIONAL FRAMEWORK

The institutions which have direct competence over the development of electronic communications in the Republic of Macedonia are the Ministry of Transport and Communications and the Agency for Electronic Communications.

The institutions which have indirect competence over the development of electronic communications are the Minister without Portfolio in charge of development of information society, the Ministry of Economy, the Ministry of Finance, the Commission for Protection of Competition, the Commission for Personal Data Protection, the Institute for Standardisation, and the Committee for Information Technology (CIT).

SHORT-TERM PRIORITIES

The strategic document which is planned to be adopted in the Republic of Macedonia, and which arises from the NSECIT obligations is the National Strategy for Development of Broadband Internet.

A) HARMONISATION OF LEGISLATION

PRIMARY LEGISLATION

(Under the competence of the Ministry of Transport and Communications)

In order to improve the electronic communications in the Republic of Macedonia, and to ensure favourable climate for convergence between electronic communications, media and information society services, and also, in order to implement the policy and programme of the Government of the Republic of Macedonia, in 2008 amendments to the Law on Electronic Communications are envisaged, in particular referring to:

1. Harmonisation of the Law on Electronic Communications with the Law on Misdemeanours and the Law on Administrative Disputes, in particular the part referring to the right of the Agency for Electronic Communications to impose misdemeanour sanctions.
2. Amendments to the penal provisions.
3. Implementation of complaint procedure of single instance (harmonisation with the Framework Directive).
4. Introduction of "warning notification" prior to imposing sanctions.
5. Reduction of the deadline for consultations with stakeholders.
6. Clarification of the procedure for dispute settlement (arbitration, mediation).
7. Clarification of the competences of the inspectors for Electronic Communications.
8. Clarification of the Chapter 10 provisions – "Users Rights".
9. Clarification of the provisions referring to the AEC competences.
10. Clarification of the provision related to financing, accounting and audit of the AEC (Article 26).
11. Clarification of the provisions related to access to the AEC documentation (Article 25).
12. Harmonisation of the Law on Electronic Communications with the Law on Interception of Communications.

SECONDARY LEGISLATION – HARMONISATION AND IMPLEMENTATION

(Competence of the Agency for Electronic Communications)

The Agency for Electronic Communications envisages the following activities in 2008 related to the adoption of acts arising from the primary legislation:

1. the AEC shall adopt its strategy for the future work of the regulator (regulation policy) (measure No. 2.2.b of the NSECIT).
2. Adoption of an act defining the procedure for ensuring transparency in the AEC operations and for publishing the type of data related to operators' operations.
3. Adoption of an act defining the dispute settlement procedure.
4. Adoption of an act on the provision of bit stream access (measure No.2.7 of NSECIT and harmonisation with "Commission Recommendation 2000/417/EC of 25 May 2000 on unbundled access to the local loop: enabling the competitive provision of a full range of electronic communications services including broadband multimedia and high-speed Internet)", as well as on provision of the so called naked-DSL);
5. Revision of the existing rulebooks referring to interconnection, unbundled access to the local loop, and access to specific networking assets.
6. Revision of the Rulebook on the use of terminal equipment.
7. Adoption of an act laying down procedures on the manner and procedure for analysis of relevant markets. (Harmonisation with "Commission Guidelines 2002/C 165/03 on market analysis and the assessment of significant market power under the Community regulatory framework for electronic communications networks and services").
8. Revision of the Rulebook on minimum package of leased lines. It shall further lay down in detail the performance deadlines and ensure better protection of users (from the perspective of SLA).
9. Revision of the provisions on universal service, with a special emphasis on the need for founding of a USO Fund.
10. Act on wholesale of leased lines. (Harmonisation with: "Commission Recommendation 2005/57/EC of 21 January 2005 on the provision of leased lines in the European Union. Part 1- Major supply conditions for wholesale leased lines, Commission Recommendation 2005/268/EC of 29 March 2005 on the provision of leased lines in the European Union. Part 2- Pricing aspects of wholesale leased line part circuits").
11. Revision of the Rulebook on keeping separate accounting for interconnection and/or access and determination of the need for prescribing the rules on keeping separate accounting and other activities in accordance with the law. (Harmonisation with "Commission Recommendation C(2005) 3480 final and explanatory memorandum of 19 September 2005 on accounting separation and cost accounting systems under the regulatory framework for electronic communications").
12. Adoption of guidelines for electronic communication networks and accompanying means.
13. Revision of the bylaw on the type and contents of the data that the public communication networks and/or providers of public communication service are bound to publish in line with the general conditions for access and use, prices and tariffs, and quality parameters of public communication services. (In addition, this will ensure better protection of users' rights, better

- quality of services, and it will enrich the range of services which users can choose from different service providers, and also the right of the users to keep their current subscriber's number in case they change their permanent subscriber number).
14. Adoption of an act laying down the procedure for shared use of facilities and assets and defining the legal obligation for the AEC to announce publicly its intentions to building public communication networks.
 15. The Agency for Electronic Communications, as regards the implementation of the secondary legislation in 2008, envisages the following activities:
 16. Appointing of an SMP operator on the relevant market 15 and specifying the obligations of the operator. Consequently, the entry of new operators on the market will be ensured, for example, virtual mobile operators and regulation of the existing ones.
 17. Analysis of relevant market 17 of the SMP operator.
 18. Implementation of number portability. As a result, the possibility will be provided for the subscribers to keep their existing telephone number in case they change their operator and for increased competition between the operators.
 19. Analysis of prices arising from the approved RIO and RUO of JSC Macedonian Telecommunications by using LIRIC methodology (this shall be the first analysis using this methodology) in order to determine whether prices are grounded on the costs incurred.
 20. Determining the obligations of JSC Macedonian Telecommunications as SMP on the relevant major supply wholesale markets of leased lines (market No. 13 and 14).
 21. Commencement of analysis of the relevant retail markets of fixed voice services (markets No. 1,2,3,4,5,6).
 22. Determining of the obligations for regulation of retail prices of the SMP operator on the relevant markets No. 1,2,3,4,5 and 6.
 23. Determining of the obligations of JSC Macedonian Telecommunications for provision of minimal package of leased lines.
 24. Determining of the obligations of JSC Macedonian Telecommunications as SMP on the relevant wholesale market of broadband access (market No.12).
 25. In-depth research and analysis in order to designate universal service provider/s and determine the need to create a Universal Service Fund (measure 2.3 of NSECIT)
 26. Control of the contents of the agreements that the operators conclude with their subscribers, in particular from the perspective of the level of the service provided (SLA).
 27. Granting approvals for the use of radiofrequencies of the IMT/UMTS range.
 28. Tendering procedure for granting of approval for distribution of digital television services.
 29. Validation of the accuracy of the cost calculation system used by the operators having significant market power through an authorised auditor.

B) INSTITUTIONAL FRAMEWORK

For the purposes of efficient and effective implementation of the Law on Electronic Communications, as well as for the purposes of the implementation of the measures arising from the two strategic documents, i.e. the National Strategy for Development of Electronic Communications with Information Technologies, it is necessary:

The Ministry of Transport and Communications to:

- Staffing of the Sector for Communications.
- Enforce professional training of the existing staff intensively, intensified participation on different training seminars, courses, conferences in the country and abroad.
- Procure specialised software, equipment, and specialised literature.
- Ensure that the Sector for Communications uses a high level the web based forum in order to provide transparency and non-discrimination at work.
- Strengthen cooperation with domestic and external institutions.
- Increase its cooperation with the non-governmental, private, and academic sector.
- Use the EU technical assistance from the TAIEX instrument in the sphere of amending the laws on electronic communications and broadcasting activity as well as in drafting new legal solutions referring to information society development.
- Strengthen its capacities for the future use of IPA Funds.
- Participate actively in international organisations and bodies related to electronic communications and information society.
- Participate in the work of the future National Information Society Council.
- Strengthen its administrative capacities in the field of intellectual property.

The Agency for Electronic Communications to:

- Strengthen cooperation with domestic and external regulatory bodies and state institutions.

- *Adopt a new Rulebook on internal systematisation and organisation which will foresee reduction of the working posts for nonessential activities by outsourcing and increase of the number of specialised staff.*
- *Specialised training of the existing staff.*
- Use technical assistance of outsourcing consultants as well as the EU TAIEX instrument.
- Build/purchase business premises for the needs of the AEC staff.
- Procure specialised software, equipment, and specialised literature.
- Actively participate in international organisations and bodies in the field of electronic communications.
- Strengthen the AEC capacities for future use of the IPA funds.
- Actively participate in the drafting of primary legislation and strategies in the field of information society and media.
- Monitor on a continuous basis the harmonisation of the national legislation with the EU *aquis*.
- Participate in the operations of the future National Council for Information Society.
- Strengthen the administrative capacity in the field of intellectual property.

MEDIUM-TERM PRIORITIES

A) HARMONISATION OF LEGISLATION

PRIMARY LEGISLATION

(Competence of the Ministry of Transport and Communications)

In 2009, amendments to the Law on Electronic Communications are foreseen for the purpose of implementation of Directive 2006/24/EC on data protection.

SECONDARY LEGISLATION – HARMONISATION AND IMPLEMENTATION

(Competence of the Agency for Electronic Communications)

In 2009, the following activities have been foreseen for the Agency for Electronic Communications related to the adoption of acts arising from primary legislation:

1. Adoption of an act on determining the cases of possible price squeeze.
2. The AEC shall adopt a policy and plan for the introduction of digitalisation of electronic media. (Harmonisation with "Commission Communication COM(2005) 204 Final of 24 May 2005 on accelerating the transition from analogue digital broadcasting").
3. Revision of the existing regulations referring to radiofrequency spectrum aimed at ensuring development of the so called "wireless economy" and determining the need for introduction of the "trade in radiofrequencies" principle (measures 2.4b and 2.4c of the NSECIT).

In 2009, for the purposes of the implementation of the secondary legislation, the following activities have been foreseen by the Agency for Electronic Communications:

1. Analysis of the relevant market No.18 of transfer of radio broadcasting contents to the end users.

3.10.2 INFORMATION SOCIETY SERVICES

CURRENT SITUATION

Information society development has been determined as a priority in the Republic of Macedonia, and therefore a new Ministry of Information Society is planned to be established, which calls for the adoption of the new Draft Law Amending the Law on Organisation and Operation of the State Administrative Bodies which shall be adopted by 2/3 majority, which is in parliamentary procedure, as well as for allocation of budget funds in order to finance a large number of projects related to information society development.

As a provisional solution, the Assembly of the Republic of Macedonia appointed the Minister without Portfolio, who is responsible for information technology aspects.

A) LEGAL FRAMEWORK

Strategic Documents:

The National Strategy (NS) for Development of Information Society and Action Plan (NSDISAP), which lays down the basic directions for information society development in Republic of Macedonia, are divided into 8 strategic pillars: Infrastructure, E-Business, E-Government, E-Health, E-Citizens, Legislation, and Priorities for sustainable development of information society.

The NS for development of electronic communications and information technologies (NSDECIT) is fully founded on the EU Initiative for development of information society i2010. This has a mission to involve the economy of the Republic of Macedonia in

the world map of networked economies, to establish conditions for a leap forward in the development of its economy by accelerated introduction and massive efficient use of electronic communications and information technologies.

Laws containing provisions related to the development of information society services:

- Law on Electronic Communications (Official Gazette of the Republic of Macedonia No. 13/05, 14/2007 and 55/2007).
- Law on Electronic Commerce (Official Gazette of the Republic of Macedonia No. 133/07).
- Law on Data in Electronic Format and Electronic Signature (Official Gazette of the Republic of Macedonia No. 34/2001 and 06/2002).
- Law on Personal Data Protection (Official Gazette of the Republic of Macedonia No. 12/94, 4/02 and 07/05)
- Law on Copyright and Related Rights (Official Gazette of the Republic of Macedonia No. 47/96, 3/98, 98/02, 4/05, 23/05, 131/07).
- The Criminal Code of the Republic of Macedonia foresees provisions regulating computer crime.
- Law on Customs Measures on Protection of Intellectual Property Rights (Official Gazette of the Republic of Macedonia No. 38/05).
- Law on Industrial Property (Official Gazette of the Republic of Macedonia No. 47/2002, 42/2003, 9/2004, 39/2006 and 79/2007).
- Law on Obligations (Official Gazette of the Republic of Macedonia No. 18/01 and 4/02).
- Law on Consumer Protection (Official Gazette of the Republic of Macedonia No. 38/2004 and 77/07).
- Law on Free Access to Public Information (Official Gazette of the Republic of Macedonia No. 13/06).
- Law on Interception of Communications (Official Gazette of the Republic of Macedonia No. 121/06).
- Law on Public Procurement (Official Gazette of the Republic of Macedonia No. 136/07).

B) INSTITUTIONAL FRAMEWORK

The Minister without portfolio is competent for the development of information society, the future Secretariat for Information Society and the Commission for Information Technology (CIT), which are the key institutions competent for coordination of the activities for information society building and to the coordination of the measures arising from the two strategies.

The National Council for Information Society is to be established in accordance with the adopted NS for Development of Electronic Communications and Information Technologies. The Council shall be a body competent for coordination and ensuring participation of all stakeholders in the development of information society by supporting the work of the minister who is responsible for the development of information society. Hence, the NC is not a body which makes decisions, but it is a body which proposes them.

The body competent for development of the communication infrastructure as the only technological platform for the development of information society is the Ministry of Transport and Communications in line with the Law on Electronic Communications.

The Ministry of Economy, the Ministry of Finance, the Directorate for Personal Data Protection, the Macedonian Academic Scientific Research Network (MARNET), the State Statistical Office, are competent for the development of information society services and electronic communications.

In line with the NSECIT the Fund for Development of Information Society is planned to be established. The funds from the Programme for ICT Development and Research shall be used for projects of strategic interest to the Republic of Macedonia, and of vital importance for the implementation of the strategies related to the field of information society which have been drafted, or are yet to be drafted. The programme shall support projects proposed by the business sector, academic institutions, independent development sectors, consultation groups, the civil sector, as well as co-financing of research projects supported by the EU and other international foundations and institutions.

B) PROJECTS FOR INFORMATION SOCIETY DEVELOPMENT

In addition to the projects implemented over the passed years (listed in detail in NPAA 2006 and NPAA 2007 (www.sep.gov.mk/portal/eng)), the projects given below are in the phase of implementation, and they will contribute to the development of information society.

SHORT-TERM PRIORITY PROJECTS

- Electronic payment of services provided by governmental institutions (electronic tax stamp). Upgrading of the electronic service www.uslugi.gov.mk by a module providing electronic payment for services provided by the Government which claim payment of certain fees. The Project is to be implemented by May 2008.
- Implementation of business process management system in the Government and its ministries. Upgrading of the system for electronic chairing of Government sessions by a module for electronic exchange of opinions between institutions in

the phase of elaborate preparation, and automation of the process of drafting the narrative text of the documents in the earliest phases of contents preparation for Government sessions. The Project is to be implemented by May 2008.

- E-Procurement. The Electronic Procurement System of the Government of the Republic of Macedonia shall be upgraded by a negative auctioning module. This will ensure that the most favourable price for the public procurement has been achieved electronically and in the most transparent manner. The upgraded version will be operational from 1 January 2008.
- Free-of-Charge Internet Clubs. Under the project "The World in Your Palm", 15 free-of-charge internet clubs in 15 cities in the country have been launched, and new ones are underway for the purposes of reducing the digital gap in the society by providing access to digital technology for the citizens who cannot afford it.
- Vouchers for students. Under the project "Macedonia - Country of Information Technologists" vouchers were granted to all the regular students enrolled in their final year of studies for the first time in the academic 2007/08 at any of the accredited universities in the Republic of Macedonia as well as to all the students registered as disabled. The objective behind the project was to increase the number of computers in use among the younger IT-active population. The Project was funded by the budget of the Government of the Republic of Macedonia.
- National Certification Authority. The establishment of the data centre within the Government of the Republic of Macedonia is underway, and it can be used for the implementation of the National Certification Authority. Thus, the implementation of the necessary PKI (public key infrastructure) infrastructure will be made possible which will ensure the implementation of advanced governmental electronic services. The project is to be implemented by the end of 2008.

MEDIUM-TERM PRIORITY PROJECTS

- Governmental Network Structure. Project for building of backbone electronic – communication network to connect state institutions which will partially be funded by the budget of the Government of the Republic of Macedonia and a foreign donation from the PR China.
- ICT in the judiciary. The ICT Strategy for Judiciary 2007-2010 has been drafted. The main objective behind the strategy is to establish and develop a modern automated judiciary in the Republic of Macedonia, based on ICT solutions and systems in line with the European and international standards.
- Computer for every child. Every primary and secondary school student will have a computer in the classroom. The equipment has been purchased and its installation is in progress alongside with the training of the faculty. The project rests upon the National Programme for Development of Education (2005-2015).
- Electronic Health Insurance Card. Project for digitalisation of medical files and unification of the systems in use which simplifies the work process related to history of diseases for every patient. This card shall be compatible with the European health insurance card (EHIC).
- Integrated Border Management. The project is aimed at improving the efficiency of the Customs Administration operation by exchanging information in digital format with the neighbouring countries and anti-crime international agencies by connecting the border crossing points and customs branches electronically into a single system which will be connected to the systems of other countries.
- Electronic Cadastre. The project for digitalisation of the Cadastre using GIS software is underway. The project is implemented in the State Authority for Geodetic Works.

SHORT TERM PRIORITIES

The strategic document which is envisaged to be adopted in the Republic of Macedonia, and which arises from the obligations of the NSECIT is the National Strategy for Broadband Internet.

The Strategy for ICT in education is planned to be adopted.

A) MEASURES OF LEGISLATIVE CHARACTER

For the purposes of development of information society the following activities have been envisaged for 2008:

- Adoption of a Law on Conditioned Access (transposition of the European Parliament and Council Directive - 31998L0084)
- Introduction of norms concerning service level agreements (SLA) for ICT services in the laws related to information society development, as well as their implementation.
- Analysis of the current legal framework regulating the protection of privacy of electronic communication and services and draft measures for its improvement.
- Adoption of Amendments to the Law on One-Stop-Shop System and the Law on Keeping the Trade Register and the Register of Other Legal Entities.
- Analysis in order to define a legal solution model for institutional transformation of MARNET into a scientific and research network.

B) MEASURES OF INSTITUTIONAL CHARACTER

B.1.) ESTABLISHMENT OF NEW INSTITUTIONS

- Establishment of a Secretariat for Information Society.

- Establishment of a National Council for Development of Information Society.

B.1.) STRENGTHENING OF THE CAPACITIES OF THE EXISTING INSTITUTIONS

- Strengthening of the staffing in the institutions.
- Strengthened specialised training of the existing staff, intensified participation in diverse training seminars, courses, conferences in the country and abroad.
- Procurement of specialised software, equipment and specialised literature.
- Strengthening of the cooperation with domestic and external institutions.
- Increased cooperation with the nongovernmental, private, and academic sector.
- Use of the technical assistance of the EU TAIEX instrument.
- Strengthening of the capacities for future use of the IPA Funds.
- Active participation in international organisations and bodies in the field of information society.
- State institutions competent for development of information society and media will take active participation in the international alliances for "fight against information treats".
- Continuing strengthening of the judicial system capacities related to information society and media.
- Strengthening of the administrative capacities in the field of intellectual property.

C) OTHER MEASURES ENVISAGED FOR DEVELOPMENT OF INFORMATION SOCIETY

- Local self-government, in cooperation with the Government of the Republic of Macedonia to ensure sustainable, controlled, and safe manner of connecting the primary and secondary schools to the internet, as well as access to e-services in the area of education.
- ZELS and the NGO sector, in cooperation with the Government of the Republic of Macedonia, the business sector and foreign funds will organise series of public debates and training sessions in order to build municipal networks and pilot municipalities which will implement the Municipal Wireless and Municipal FTTx concept.
- Organisation of conferences for promotion and establishment of public-private partnerships for building and development of sustainable municipal electronic communication networks and systems partially supported by interested donors.
- Campaign on the advantages and benefits arising from the building and development of municipal electronic communication networks as a basis for information society.
- The administration of the .mk domain to be analysed by the National Council for Information Society and recommendations should be given based on European experience.
- Initiation of a dialogue between the stakeholders for establishment of Internet Exchange under MARNet or under other independent institution.
- Identification and removal of the impediments in relation to the appointment of CA (Certificate Authority) and support to the use of electronic documents and signatures in the domestic and cross border trade, as well as, in the communication with state institutions (ongoing project).
- Commencement of a project for future digitalisation of libraries.
- Setting standards and architecture for e-government applications and pilot projects in order to promote e-government services for the citizens.
- Provision of the necessary infrastructure network (building of logical infrastructure on the basis of the installed physical infrastructure), for electronic exchange of data between governmental institutions and establishment of prerequisite for confidential, reliable, and safe communication.
- Creation of a web portal for participation of the citizens in information society building.
- Establishment of a system of indicators for creation of a mechanism for collection, analysis, and monitoring of indicators.

MIDTERM PRIORITIES

Strategic documents to be drafted:

- The National Strategy for e-Inclusion is to be adopted in 2009.
- At local level, in compliance with the measures arising from the NSECIT, the local self-governments should adopt local ICT strategies.

A) MEASURES OF LEGISLATIVE CHARACTERS

- Amendments to the existing legislation for the purposes of achieving information security from the perspective of ICT by taking into account fundamental human rights, freedom of expression, free access to information, personal data protection.
- Revision of the existing legal and regulation framework in order to ensure that it provides the necessary protection of the national and individual "information capital" and ICT infrastructure.
- Adoption of a set of laws and organisational amendments in order to provide e-work, distance learning and working.

B) MEASURES OF INSTITUTIONAL CHARACTER

- Institutional transformation of the National academic and research network (MARNET).
- Strengthening of the institutional capacities, wrapping up of the enactment of internal operative regulation and its implementation.

C) OTHER MEASURES ENVISAGED FOR INFORMATION SOCIETY DEVELOPMENT

- Training of ICT staff in the state administration.
- Preparation of an action plan for introduction of the Ipv6 internet protocol.
- Preparation of guidebook on e-Accessibility and e-Inclusion.
- Initiatives for intermunicipal and cross border cooperation between the municipalities from the Republic of Macedonia and the municipalities from the neighbouring countries, particularly from the Euro regions, shall be used for implementation of pilot projects of this type.
- Local self-government is to establish the necessary ICT infrastructure for the functioning of the e-points in the rural environments.
- The Government of the Republic of Macedonia to encourage the establishment of communities of buyers and vendors and to promote e-confidence and consumer protection through full regulation of consumers rights on the internet.
- Development of a study on the need for introduction of standardised ICT solutions for small and medium-sized enterprises and guidelines for their support by the Government.
- Development of a National Report and Assessment of the awareness regarding information insecurity and needs to increase the knowledge and skills for increasing information security in all the segments of the society.
- Promotion and recommendations for the organisations (public administration, economy, civil sector) to introduce information security management systems in ICT infrastructures used.
- Introduction of certification system for successfully implemented and used information security and ICT systems for the organisations, as well as mandatory annual audit.
- Development of a study on the needs for a Centre for Monitoring of National and Global Threats and Risks from the perspective of ICT in real time.
- Introduction of a system for regular monitoring, identification, and proposing of measures for reduction of "organisational sensitivity/vulnerability to information threats" in all the social sectors.
- Development of analysis and recommendations for interoperability of services from technical, semantic, and organisational perspective and for open standards.
- Introduction of Document Management System for all ministries. This system should automate the operative processes in the institutions and introduce track keeping of documentation in the approval processes.
- Public awareness campaign for efficient and effective use of ICT equipment and information society services from the perspective of operators and datacenters.

3.10.3 AUDIO VISUAL POLICY

BROADCASTING

CURRENT SITUATION

A) LEGAL FRAMEWORK

Strategic documents

The Broadcasting Council adopted the Strategy for Development of Broadcasting Activity on 27 November 2007, the preparation of which involved the competent institutions in the field of broadcasting, electronic communications and information society, as well as the non-governmental organisations and other broadcasting entities. The strategy is a vision for the development of broadcasting activity in the period from 2007 to 2012 and it identifies the problems of its development to date, makes a cross section of the current situation and provides specific goals and directions for the future regulation of the broadcasting activity in the following segments: broadcasting industry, pluralism and programme diversity, digitalisation of the terrestrial broadcasting and the development of the regulatory framework. The strategy also elaborates the issues concerning further development of the legal regulation, as part of the process for harmonisation with the new EU Directive on Audiovisual Media Services, as well as the prerequisite for further technological development of broadcasting activity.

Primary law

The Law on Broadcasting Activity adopted in November 2005 (Official Gazette of the Republic of Macedonia No. 100/05).

The Law completely implements the provisions from the EU Directive Television without Frontiers and the Convention of the Council of Europe on Transfrontier Television.

The Broadcasting Council adopted all bylaws that completely implement and operationalise the provisions from the Directive on Television without Frontiers and other European regulation in terms of protection of minors, the rules of marketing and

sponsorship, promoting of the European audiovisual works, broadcasting events of great importance and the right for short reporting on events for which exclusive rights for broadcasting are obtained.

Other laws containing provisions related to broadcasting activity

1. The Law on Establishing of the Public Enterprise Macedonian Broadcasting (Official Gazette of the Republic of Macedonia No. 6/98-313)
2. The Law on Electronic Communications (Official Gazette of the Republic of Macedonia No.13/05, 14/07 and 55/2007)
3. The Law on Copyright and Related Rights (Official Gazette of the Republic of Macedonia No. 47/96, 3/98, 98/02, 4/05, 23/05 and 131/07);
- 4, The Law on Ratification of the European Convention on Transfrontier Television and the Protocol Amending the European Convention on Tran frontier Television (Official Gazette of the Republic of Macedonia No. 18/2003);

B) INSTITUTIONAL FRAMEWORK

The Ministry of Transport and Communications is the state body competent for the development and implementation of the policy related to electronic communications, information society and broadcasting.

In accordance with the Law on Broadcasting Activity, the Broadcasting Council conducts supervision of the implementation of the Law in relation to observing the programme principles, programme requirements and restrictions, as well as the conditions stipulated in the license.

The supervision of compliance with the operation requirements contained in the approval for use of frequencies, construction, maintenance and use of networks and programme broadcasting and transmission devices is performed by the Agency for Electronic Communications and the Ministry of Transport and Communications.

The inspection supervision for the implementation of The Law on Copyright and Related Rights in terms of the distribution and public announcement of copyright and related rights and the authors works and the subjects to related rights, is carried out by the State Market Inspectorate.

The inspection supervision of the implementation of the Law on Copyright and Related Rights in terms of the production, reproduction, storage, broadcasting and recording of computer programmes, music and audiovisual works of sound carriers and sound and image carriers, in accordance with the law, is carried out by the Ministry of Interior.

The administrative supervision of the associations for collective exercising of copyright and related rights is carried out by the Ministry of Culture.

SHORT-TERM PRIORITIES

A) HARMONISATION OF LEGISLATION

PRIMARY LEGISLATION

For the purposes of improving the situation in the broadcasting activity in the Republic of Macedonia and providing a favourable climate for convergence between electronic communication, media and information society services, as well for the purposes of the implementation of the policy and programme of the Government of the Republic of Macedonia, in 2008, the Law Amending the Law on Broadcasting Activity is foreseen, to be adopted particularly concerning the part of:

- Harmonisation of the Law on Misdemeanour (Official Gazette of the Republic of Macedonia_No. 62/06).
- Amending and specifying of the penal provisions.
- Harmonisation of the Law on Copyright and Related Rights.
- Improvement of the functioning of the regulatory body.
- Harmonisation of the Law on Electronic Communications in particular of its part referring to distribution of digital television content through public electronic communication networks.
- Ensuring introduction of new services based on new technologies through further liberalisation of the provisions connected to the prevention of the illegal media concentration.
- Clarification of the regulation on the Parliament Channel.
- Harmonisation of the future Amendments to the Law on Establishing of the Public Enterprise Macedonian Broadcasting.
- Strengthening of the administrative capacities in the filed of the intellectual property.

The financial stability of the public broadcasting service (PE MRT)_and the regulatory body is of crucial importance for the provision of a dual system in the broadcasting, as well as for an efficient and effective regulation which is a basic prerequisite for

the development of broadcasting in any country. Consequently it is necessary to ensure that the system of broadcasting fee collection functions fully and successfully, which will thus ensure the needed financial stability of the said institutions. Furthermore, it is planned to adopt the Amendments to the Law on Establishing of Public Enterprise Macedonian Broadcasting in terms of institutional and status modifications within the enterprise in 2008.

SECONDARY LEGISLATION – ADOPTION AND IMPLEMENTATION

According to the operational plans of the Broadcasting Council in 2008, the adoption of several bylaws that will contribute to the efficient application of the Law has been envisaged:

- Rulebook on the manner of imposing and enforcement of measures against broadcasters on the grounds of violation to the provisions of the Law on Broadcasting, the bylaws and the license for broadcasting activity.
- Rulebook on the type and contents of the data that the broadcasters should submit to the Council and the procedure for acting upon approval of the requests for modification of the ownership structure.

In order to provide continuous implementation of the Law on Broadcasting Activity, the bylaws and the Strategy, the Council foresees to implement the following activities in 2008:

- supervision over the implementation of the obligations of the public broadcasting service laid down in the Law and the bylaws;
- supervision of the implementation of the obligations of commercial broadcasters laid down in the Law, the license and the bylaws;
- monitoring of the ownership structure of broadcasters and their obligations in terms of transparency of the ownership and funding sources;
- monitoring of the obligation of broadcasters to pay the fee for the license for broadcasting activity;
- supervision of the work of the broadcasters in relation to their fulfilment of the technical requirements laid down in the bylaws and the license for broadcasting activity;
- supervision of the obligations of the public communication networks laid down by the Law referring to registration of programme packages;
- Imposing sanctions and initiation of misdemeanour proceedings for violation of the provisions of the Law, the license and the bylaws against broadcasters i.e. public communication networks;
- establishing institutional cooperation with the State Market Inspectorate for the purposes of ensuring consistent enforcement of the Law on Copyright and Related Rights;
- conducting a procedure for granting licenses for programme services intended for distribution via cable and satellite;
- conducting analysis on the broadcasting market in order to determine the economic and the financial work of the broadcasters in 2007 and to detect the trends in the development of the broadcasting and announcement industry;
- common activities of the BC and the AEC in the framework of the Working Group responsible for preparation and implementation of the procedure for allocation of multiplexes;
- monitoring of the implementation of the Strategy for Development of Broadcasting Activity, commencement and coordination of the activities with other competent institutions and organisations implementing the Strategy.

B) INSTITUTIONAL FRAMEWORK

In 2008, the financing of the Broadcasting Council is not certain due to the poor functioning of the broadcasting fee collection system defined in the Law on Broadcasting Activity.

The Broadcasting Council plans activities for raising the administrative and the institutional capacity. Namely, considering the new legal competences, and the experiences of the regulatory bodies in the developed European countries, the Broadcasting Council adopted an internal organisational structure, which is modern and more flexible, and which calls for inter-sector approach in the work and the cooperation with other competent institutions and regulatory bodies. According to the new set-up of the Broadcasting Council, in line with the increased competences, the total number of the Council employees should increase.

Preparation of an application for a Twinning Programme is foreseen, with the main goal to raise the overall capacity of all sectors in the Broadcasting Council for the purposes of the implementation of the Law and the Strategy for Development of Broadcasting Activity.

The equipment that the Council uses in order to monitor the broadcasters' programmes, as well as the internal ICT system are out of date which consequently burdens the functioning of the Council in conducting supervision of the provisions of the Law. Should a donation be provided, the monitoring equipment of the Council is planned to be renewed and new ICT equipment is planned to be installed, in order to enhance the efficiency of the internal organisation and the operation of the Council and its technical service. Strengthening of the administrative capacities in the field of intellectual property is necessary.

MEDIUM-TERM PRIORITIES

A) HARMONISATION OF THE LEGISLATION

PRIMARY LEGISLATION

It is necessary to commence activities for the future harmonisation of the Law on Broadcasting Activity with the future Directive on Audiovisual Media Services aimed at opening the possibilities for development of new programme services and development of the audiovisual industry.

SECONDARY LEGISLATION- ADOPTION AND IMPLEMENTATION

If the primary legislation is harmonised with the new Directive for Audiovisual Media Services, adequate bylaws should be adopted for the operationalisation of the new legal provisions, particularly in terms of the new not linear services.

FILM FUND

CURRENT SITUATION

A) LEGAL FRAMEWORK

The film industry, cinematic sector and the field of protection of copyright and related rights, are regulated under the following acts:

- Law on Culture, (Official Gazette of the Republic of Macedonia No. 66/03 - Consolidated Text),
- Law on the Establishment of Cinematheque of the Socialist Republic of Macedonia (Official Gazette of the Socialist Republic of Macedonia No. 20/74),
- Law on Mandatory Copies (Official Gazette of the Republic of Macedonia No. 11/94)
- The Law on Copyright and Related Rights (Official Gazette of the Republic of Macedonia No. 47/96, 3/98, 98/02, 4/05 and 131/07);
- Law on Protection of the Cultural Heritage (Official Gazette of the Republic of Macedonia No.20/04; 71/04 and 115/07);
- Law on Ratification of the European Convention on Co-production in Cinematography (Official Gazette of the Republic of Macedonia No.18/03);
- Law on the Film Fund of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No.70/2006);
- Rulebook on the criteria on funding motion picture projects and the elements that should be incorporated in the motion picture projects which are of National Interest (Official Gazette of the Republic of Macedonia No.125/07);
- Law on Audiovisual Goods (in parliament procedure) – completely incorporates the Recommendation 2005/865/CE of the European Parliament and of the Council of 16 November 2005 on Film Heritage and the Competition with the Related Industrial Activities (Operations).

The Republic of Macedonia is a member of the European Audiovisual Observatory and the SEECN (South East European Cinema Network) – Film Network of Southeastern Europe with headquarters in Thessalonica, Greece .

In the course of 2007, the Ministry of Culture sent letters of interest for participation in the Programme of the Community MEDIA PROGRAMME (2007-2013) that officially initiated the start of negotiations for signing a Memorandum of Understanding between the European Commission and the Republic of Macedonia.

B) INSTITUTIONAL FRAMEWORK

In the Ministry of Culture, the audiovisual policy is regulated in two sectors: Sector for Legal and General Affairs and Sector for Activities in the field of Culture, Art and the Cultural Heritage with 13 Units. The Unit for Film Activities carries out the activities related to film production i.e.: preparation of studies, analysis, elaborates and programmes, it monitors, studies and explores the situations in the activities, programmes and also monitors the fulfilment of the Annual Programme on Financing the National Interest in the Film Activity, participation in the proposal of the activities in the international cooperation domain.

The Cinematheque of the Republic of Macedonia was established in 1974, and became operational in 1976 with main activity of: exploring, protection, production and public presentation of films and film materials of the national film production, but also of the world cinematography. The audiovisual goods are a special type of a mobile cultural heritage laid down in the Law on Protection of the Cultural Heritage.

In accordance with the Law on Film Fund of the Republic of Macedonia, the Fund is a legal entity and is independent in its work. The Statute of the Fund regulates the work and the organisation of the Fund and ensures that its work is public. The Fund is headed by a Director appointed by the Government of the Republic of Macedonia upon proposal by the Ministry of Culture, the Government of the Republic of Macedonia on 22 September 2006 appointed the President and 3 members of the Management Board, professionals and artists in the area of the film activity.

SHORT-TERM PRIORITIES

A) LEGAL FRAMEWORK

The preparations for participation in the European Union Programme – MEDIA (2007 – 2013) will continue, the Ministry of Culture shall establish conditions for participation in projects aimed at development of production, distribution of motion pictures and audiovisual programmes, promotion of motion pictures, and audiovisual programmes.

The Fund adopts its Annual Programme for Funding of Motion Pictures Projects and Promotion of Film Activity in the Republic of Macedonia by the end of the current year for the following year, on the basis of a public announcement.

B) INSTITUTIONAL FRAMEWORK

Staffing of the National Institution - Film Fund of the Republic of Macedonia - the implementation of this goal has been envisaged through employment by transfer from the National institution "Vardar Film", as well as strengthening of the administrative capacities in the field of intellectual property.

MEDIUM-TERM PRIORITIES

INSTITUTIONAL FRAMEWORK

Staffing of the National Institution Film Fund of the Republic of Macedonia, in accordance with the systematisation that is to be adopted.

FOREIGN ASSISTANCE

Need for a training programme for the employees of the Film Fund and ICT equipment.

3.11 AGRICULTURE AND RURAL DEVELOPMENT

3.11.1 HORIZONTAL ISSUES

CURRENT SITUATION

LEGAL FRAMEWORK

The management and control of budget funds earmarked for stimulating agriculture development, and for establishing the registers necessary for controlling, monitoring and evaluation of the activities have been regulated under the following legal acts:

- Law on Budget (Official Gazette of the Republic of Macedonia No. 64/05)
- Law on State Audit (Official Gazette of the Republic of Macedonia No. 73/04)
- Law on Audit (Official Gazette of the Republic of Macedonia No. 79/05)
- Law on Financial Operations (Official Gazette of the Republic of Macedonia No. 42/93 and 32/97)
- Law on Investment Funds (Official Gazette of the Republic of Macedonia No. 9/2000)
- Law on Banks (Official Gazette of the Republic of Macedonia No. 63/2000, 103/00, 37/02, 51/03 and 85/03)
- Law on Electronic Data and Electronic Signature (Official Gazette of the Republic of Macedonia No. 34/01)
- Law on Personal Data Protection (Official Gazette of the Republic of Macedonia No. 07/05)
- Law on Establishing an Agency for Financial Support of Agriculture and Rural Development (Official Gazette of the Republic of Macedonia No. 72/2007)
- Law on Establishing Farm Accountancy Data Network (Official Gazette of the Republic of Macedonia No. 110/2007) and
- Law on Agriculture and Rural Development (Official Gazette of the Republic of Macedonia No. 134/07)
- In addition to the legal acts, the Strategy on Agriculture and Rural Development for the period 2007 – 2013 was adopted in June 2007, defining the future development measures of the agriculture financing policy as well as the establishment of the necessary systems and institutions for their implementation.

INSTITUTIONAL FRAMEWORK

From the aspect of the programming of direct payments and the remaining measures earmarked for stimulating the development of the agriculture sector in the Republic of Macedonia, the Ministry of Agriculture, Forestry and Water Economy with its sectors and directorates is the competent authority. Furthermore, the Ministry is competent for establishing all systems and registries necessary for the implementation of the support measures. In this context, the following sectors have authority in this area:

- Sector for Agriculture with all of its units,
- Sector for Agricultural Policy Analysis, with all of its units,
- Sector for Agricultural Land Management and Registration (SALMR)
- Sector for Coordination of Regional Units, and
- The State Agriculture Inspectorate with the inspection supervision competences over the implementation of the programmes and measures.

Starting in 2008, with the adoption of the Law on Establishing an Agency for Financial Support of Agriculture and Rural Development (Official Gazette of the Republic of Macedonia No. 72/2007), the Agency, which was established as an independent body, is competent for implementation of the financial support, monitoring and control of the funds intended for the agriculture, as well as administration and control of payments in agriculture.

By adopting the Law on Establishing Farm Accountancy Data Network (Official Gazette of the Republic of Macedonia No. 110/2007) and the MAFWE systematisation in 2007, a Sector for Agricultural Policy Analysis (SAPA) was established *inter alia*, whose authority is to establish and maintain the network. The Farm Accountancy Data Unit within the SAPA has the role of Liaison Agency. In addition to SAPA, holders of the system are the State Statistical Office, concerning the selection of agricultural economies from which the data are gathered and the Agency for Promoting the Development of the Agriculture, acting as a body for gathering accountancy data at farm level.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Concerning direct payments and state aid in agriculture, a number of legislative acts have been envisaged for adoption in 2008, the most important of which are the Rulebook on Direct Payments in Agriculture, the Programme for Financial Support of Agriculture in 2008, the Decree on the manner of Claiming Funds from the Programme for Financial Support of Agriculture in 2008, as well as the adoption of a Law on State Aid in Agriculture.

In addition, within the AFSARD it is has been envisaged to adopt a number of rulebooks and internal acts regulating the way of reception, recording, processing and approval of financial support, the procedure approval and implementation of disbursements,

the accountancy and internal audit procedures, as well as the manner of implementing and coordinating the on the spot controls. In addition, regarding the usage of the fund of the rural development pre-accession aid, Memorandum of Understanding will be signed between AFSARD and the National Fund.

Having regard to the priority to establish systems of registration and records in the agricultural sector, it has been envisaged to adopt bylaws of the Law on Agriculture and Rural Development, which will be regulating this area, such as bylaws on: the form, contents and methodology of managing the Single Farm Register; establishing Land Parcel Identification System in the Republic of Macedonia, as well as drafting organisational and operational manuals for the both systems. In addition, on the basis of the same law, it has been envisaged to adopt bylaws on public services in the agriculture, as well as bylaws establishing and exchanging data within the framework of the Agricultural Market Information System (AMIS). In order to establish the registries and toward the needs of better functionality, connectivity and equipping of the MAFWE Regional Centres, it has been planned to draw Functional Analysis of the same.

By June 2008, bylaws of the Law on Establishing Farm Accountancy Data Network (Official Gazette of the Republic of Macedonia No. 110/07) have been envisaged for adoption, thus achieving full harmonisation with the EU Acquis and complete regulation of accountancy data gathering and processing at farm level.

INSTITUTIONAL FRAMEWORK

Having regard the institutional aspect, in addition to strengthening the vertical sectors participating in the preparation of support measures in the areas they are competent in, it has been envisaged to strengthen the Strategic Planning Unit in 2008 and to train the newly employed staff. Furthermore, considering the inspection supervision over the measures implementation, it has been envisaged to strengthen the State Agriculture Inspectorate, as well as strengthening the SAPA, the EU sector, the Sector for Agricultural Land Management and Registration, the IT sector, the Sector for Normative and Legal Affairs, the Human Resources Unit, the regional centres and the MAFWE regional units. Within the framework of the Agency for Financial Support of Agriculture and Rural Development, it has been planned to strengthen the capacity in respect to the needs of accreditation for implementation of IPARD and national support, while at the level of regional/municipal centres of the MAFWE, which are competent for managing with the registers at regional/municipal level, additional individuals necessary for managing the systems will be employed. Moreover, procurement of equipment and office supplies has been envisaged for all newly employed, as well as implementation of construction work depending on the needs.

From the aspect of the registers and records systems in the agriculture, it has been planned to establish the Single Farm Register in the Republic of Macedonia by the end of 2008, and to start the Land Parcel Identification System in several pilot municipalities. To this effect, through the Project for Strengthening Agriculture and EU Accession – Component 1 (*Strengthening the administrative and managing capacity of MAFWE in accordance with the EU accession requirements*), the preparation and implementation of a series of technical assistance procurements has been planned in order to establish the systems and to procure the necessary equipment and software and have it installed and tested. To this end, the Agricultural Market Information System will be established.

From the aspect of FADN, it has been envisaged to form the National Committee for Farm Accountancy Data Network – an advisory body which will issue opinions regarding gathering, processing and utilisation of agricultural economies accountancy data, as the ultimate institutional necessary form needed for the network operation. Additionally, it has been envisaged to strengthen the Unit for Farm Accountancy Data (SAPA) within the MAFWE and to train the employees at the Unit and the remaining network holders.

In the course of 2008, the entire equipment will be procured and the ICT system will be established, which is necessary to gather process and distribute the farm accountancy data.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Preparation and implementation of the Programme for Financial Support of Agriculture and the Decrees of the Government of the Republic of Macedonia on the manner of Claiming Funds from the Programme in 2009 and 2010 will continue, including measures and activities for supporting public services and scientific-research work in the area. Bylaws on the basis of the Law on State Aid in Agriculture have been envisaged for adoption.

As regards the systems of records and registration, at the same time, it has been envisaged to draft manuals on the manner of connection of the registers and databases with other registers and the manner of obtaining data from other registers and records.

INSTITUTIONAL FRAMEWORK

In the medium-term period, strengthening of institutional capacities playing role in the preparation and implementation of direct payments in agriculture will continue, such as the Agriculture Sector, the EU Sector, Sector for Agricultural Policy Analysis, the State Agriculture Inspectorate, the Sector for Registration and Management of Agricultural Land, regional/municipal units of MAFWE and the Sector of Farm Accountancy Data at agricultural economies level, the Unit for Strategic Planning and the Human Resources Unit.

From the aspect of the registers, records for direct support and state aid will be established and will be connected to the Single Farm Register. The land parcel records system will expand from the pilot municipalities and will be established on the entire territory of the Republic of Macedonia. The Single Farm Register will be continually updated, while at the same time the remaining registers will be integrated within the framework of MAFWE – the Animal Identification and Registration System, the Vineyards Register and the Land Parcel Identification System. In this time period, finalisation and functionality of the Agricultural Information System has been envisaged.

FOREIGN SUPPORT

Short and medium-term foreign support has been provided for successful implementation of the envisaged activities through:

- Preparation of IPARD Implementation System (Framework Contract CARDS 2006);
- Preparation of IPARD Implementation and Financial Management System (CARDS 2006);
- The Project for Strengthening the Agriculture and EU Accession (World Bank loan)

3.11.2 COMMON MARKETS ORGANISATION

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework for regulating the market of cereals, rice, fresh fruits and vegetables, live trees, other plants, rhizomes, roots, cut and decorative flowers, dried fodder and other plant products is presently provided for in the Law on Agricultural and Rural Development (Official Gazette of the Republic of Macedonia No. 134/07) which is harmonised in part with the EU legislation. In addition to this law, the following legal acts are connected to the regulation of market for these products:

- Law on Electronic Data and Electronic Signature (Official Gazette of the Republic of Macedonia No. 34/01)
- Law on Personal Data Protection (Official Gazette of the Republic of Macedonia No. 07/05)
- Law on Establishing an Agency for Financial Support of Agriculture and Rural Development (Official Gazette of the Republic of Macedonia No. 72/2007)

The legal framework regulating the wine sector is provided for in the Law on Wine (Official Gazette of the Republic of Macedonia No. 69/2004). The Law on Wine has been completed with the following rulebooks: Rulebook on the methods for partial dehydration of grape must and enological means and procedures which applied in the wine production and Rulebook on the methods of analysis on determining the chemical composition of wines and the method of use of refractometer (Official Gazette of the Republic of Macedonia No. 38/2006); Rulebook on classification of grape varieties for wine production (Official Gazette of the Republic of Macedonia No. 6/2007) and Rulebook on the conditions regarding premises and equipment for wine production, Rulebook on the conditions regarding the premises and equipment of the authorised laboratories for oenological testing and analyses and Rulebook on the form, contents and dimensions of the wine label and other details on the label (Official Gazette of the Republic of Macedonia No. 94/2007).

The legal framework regulating the raw tobacco market is presently being provided for in a number of laws – Law on Tobacco and Tobacco Products (Official Gazette of the Republic of Macedonia No. 24/2006) and Law on Agriculture and Rural Development (Official Gazette of the Republic of Macedonia No. 134/2007). Based on the Law on Tobacco and Tobacco Products a number of bylaws have been adopted: Rulebook on the size of the premises for purchase, storage, keeping and industrial processing of tobacco, equipment of the premises for purchase and industrial processing of tobacco with suitable equipment and instruments for the size of the premises for storage of the processed tobacco, Rulebook on the form, contents and manner of issuing cardboard for tobacco production, Guidelines on the manner of application, the form and the content of the application form for the arranged tobacco production, Rulebook on the form and contents of the application form for registering in the register of tobacco purchasers (Official Gazette of the Republic of Macedonia No. 10/07); Rulebook on the form, contents and manner of keeping the register of tobacco purchasers, Rulebook on unique measurement for qualitative and quantitative assessment of the raw tobacco leaves and Guidelines on the form, contents and manner of keeping the register for assessing the quality of raw tobacco leaves (Official Gazette of the Republic of Macedonia No. 16/07); and Rulebook on the form and the contents of the license for tobacco assessment and the manner of taking the exam and the exam programme for obtaining a licence for tobacco assessment (Official Gazette of the Republic of Macedonia No. 21/07).

The legal framework regulating the market for beef, milk and dairy products, poultry and eggs, pork and sheepmeat and goatmeat is laid down by a number of laws – Law on Agriculture and Rural Development (Official Gazette of the Republic of Macedonia No. 134/07), Law on Veterinary Health (Official Gazette of the Republic of Macedonia No. 113/07); Law on Public Veterinary Health (Official Gazette of the Republic of Macedonia No. 113/07) and Law on Livestock Breeding (Official Gazette of the Republic of Macedonia No. 7/08), which are in part harmonised with the EU legislation.

Moreover, the Strategy on Agriculture and Rural Development for the period 2007-2013 has been adopted in June 2007, which states guidelines, measures and activities for the future development of all above-mentioned products, as well as the manner of organisation of their markets.

INSTITUTIONAL FRAMEWORK

Within the framework of the Ministry of Agriculture, Forestry and Water Economy, the following bodies and organisational units are competent for drafting legislation and implementing the measures concerning regulation of markets for agricultural products of animal and plant origin:

- Sector for Agriculture, Unit for Fruit growing, Grape and Wine production; Unit for Crop-production and Horticulture, Unit for Livestock Breeding;
- Sector for Agricultural Policy Analysis; Unit for Market Information System; Unit for Analysis and Financial Management;
- Veterinary Directorate; and
- State Agriculture Inspectorate;

In addition to the Ministry of Agriculture, Forestry and Water Economy, the following institution/bodies are competent in the regulation and/or implementation of the common markets regulation for agricultural products:

- Food Directorate (Ministry of Health),
- Faculty of Veterinary Medicine - Skopje,
- Institute for Livestock Breeding - Skopje,
- PSI Institute of Agriculture - Skopje,
- PSITobacco Institute - Prilep

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

From the aspect of products of plant origin and on the basis of the Law on Agriculture and Rural Development (Official Gazette of the Republic of Macedonia No. 134/07), a number of bylaws regulating the area of market regulation have been envisaged for adoption by October 2008, such as:

- cereals and rice: 7 bylaws,
- fresh fruits and vegetables: more than 30 bylaws,
- live trees, other plants, rhizomes, roots, cut and decorative flowers: 3 bylaws,
- dried livestock fodder: one bylaw.

By December 2008, it has been envisaged to adopt all bylaws provided for in the Law on Wine (Official Gazette of the Republic of Macedonia No. 69/04), while as regards tobacco, it has been envisaged to adopt the Law Amending the Law on Tobacco and Tobacco Products, Rulebook on Human Health Cautions Imprinted on the Packages of Tobacco Products Released in Circulation and the Programme for Financing the Activities in the Primary Tobacco Production in 2008.

Concerning products of animal origin and on the basis of the above-mentioned laws, by October 2008 it has been envisaged to adopt a number of bylaws regulating the area of market organisation, such as:

- beef meat: 8 bylaws,
- milk and dairy products: 8 bylaws,
- meat from poultry and eggs: 9 bylaws,
- pork meat: 10 bylaws, and
- sheepmeat and goatmeat: 6 bylaws.
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INSTITUTIONAL FRAMEWORK

Concerning the organisation of markets for agriculture products of plant origin, it has been envisaged to strengthen the appropriate Units within the Sector of Agriculture and the Sector for Agricultural Policy Analysis in 2008. As regards inspection supervision over the implementation of the measures within the framework of regulation of markets for agricultural products, it has been envisaged to strengthen the State Agricultural Inspectorate in 2008. In addition, procurement of IT equipment and establishing data management system within the market information system has been envisaged.

Concerning the Wine CMO, it has been envisaged to strengthen the Unit for fruit growing, grape and wine production in 2008, and to strengthen the Regional Units of MAFWE, in which the Register is established, in 2008. In addition, the State Agriculture Inspectorate will be strengthened in the course of 2008. Training and capacity upgrade are planned for all newly employed staff as well as specialisation in the area of grape and wine production of the already employed inspectors within the State Agriculture Inspectorate. During the same period procurement of additional IT equipment to establish the National Register of Vineyards and laboratory equipment for the referent laboratory for conducting enological examinations and analyses will be implemented.

Concerning tobacco, it has been envisaged to strengthen the Unit for Crop-production and Horticulture, Sector for Agriculture (SA), by new employment in 2008 and to strengthen further the State Agriculture Inspectorate capacities.. During this period, IT equipment will be procured and a system for managing data will be established for the needs of production control and purchase of raw tobacco.

As regards the regulation of markets for agriculture products of animal origin, strengthening the appropriate Units within the Sector for Agriculture and the Sector for Agricultural Policy Analysis has been envisaged by new employment in 2008. As regards inspection supervision over the implementation of the measures within the framework of markets regulation for agricultural products, it has been envisaged to strengthen the State Agriculture Inspectorate by employing a staff in 2008. In addition, procurement of IT equipment and establishing data management system within the market information system has been envisaged.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

As regards products of plant and animal origin within this time period, legal acts regulating the external trade operations will be adopted and possibly additional bylaws aligned with the amendments of CMO of agricultural products within the EU.

By mid 2009, it has been envisaged to adopt a Strategy for Marketing of Macedonian Wine, as well as amendment to the Law on Wine according to the results of the ongoing reform of the common organisation of the EU wine market. In addition, legal acts regulating external trade operations have been envisaged for adoption in 2010. By the end of 2010, Amendments to the Law on Tobacco and Tobacco Products have been envisaged for adoption in order to regulate the raw tobacco market, organisations (groups) of producers and contracts in the tobacco sector, as well as adoption of legal acts regulating the operations of producer organisations in the tobacco sector and institutions for tobacco control. Moreover, during this period, the Programmes for Financing the Activities in the Primary Tobacco production in 2009 and 2010 will be drafted and implemented.

INSTITUTIONAL FRAMEWORK

As regards the organisation of markets for agriculture products of plant and animal origin, it has been envisaged to strengthen the appropriate Units within the Sector of Agriculture and the Sector for Agricultural Policy Analysis in 2009. In the context of inspection supervision over the implementation of the measures within the framework of regulation of the markets for agriculture products, strengthening of the State Agriculture Inspectorate has been envisaged in the period 2009-2010. In addition, it has been envisaged to procure IT equipment and establish data management system within the market information system. Concerning the Wine CMO, strengthening of the Unit for fruit growing, grape and wine production has been envisaged in the period 2009-2010, and strengthening the Regional Units of MAFWE, in which the Register is established, as well as the State Agriculture Inspectorate during the same period. Training and capacity upgrade has been planned for all newly employed staff. The Territorial database for the needs of the National Register of Vineyards will be completed no later than June 2009, enabling total functionality of the National Register by the end of 2009.

As regards CMO for raw tobacco, it has been envisaged to strengthen the Unit for Crop-production and Horticulture, Sector for Agriculture (SA), by employing a staff in 2009 and 2010 and to strengthen the State Agriculture Inspectorate.

FOREIGN SUPPORT

- World Bank - The Project for Strengthening the Agriculture and EU Accession,
- European Agency for Reconstruction (CARDS, 06MAC/01/08/104) – National Vineyard Monitoring and Management System – phase II.

3.11.3 RURAL DEVELOPMENT

CURRENT SITUATION

LEGAL FRAMEWORK

Concerning *EU pre-accession assistance for rural development (IPARD)*, on 30 October 2007 the Framework Agreement on Using the EU Instrument for Pre-accession Aid – IPA Framework Agreement was signed. Moreover, by decision of the Government of the Republic of Macedonia on its session held on 25th July 2007, the first version of the IPARD Programme was adopted and it has been submitted for consultations and adoption at the European Commission, resulting in its adoption on 19th December 2007 by the Rural Development Committee at the European Commission.

National funding of the rural development measures was carried out by implementing the measures of the Annual Rural Development Programme (2006, 2007). Furthermore, two most significant legislative acts providing the framework for future policy-making and implementation of their measures have been adopted in 2007. Namely, at its 64th Session held on 26th June 2007, the Government of the Republic of Macedonia adopted the Strategy for Development of Agriculture and Rural Development 2007 - 2013, while the Assembly of the Republic of Macedonia adopted the Law on Agriculture and Rural Development (Official Gazette of the Republic of Macedonia No. 134/07).

The process of building a *partnership* between all involved parties in rural development has started with the Decision of the Government of the Republic of Macedonia, for setting up interministerial Group for Rural Development as the Decision for appointing its members has been published in the Official Gazette of the Republic of Macedonia No. 15/07.

INSTITUTIONAL FRAMEWORK

The Sector for Rural Development within the MAFWE is competent for implementing coherent rural development policy, as well as for integrating the various development programmes of the rural regions in the Republic of Macedonia. Presently, the Sector employs a total of 8 persons.

Moreover, for the requirements of the *EU pre-accession assistance for rural development (IPARD)*, the work tasks have been drafted and an (informal) IPARD Monitoring Committee for implementation of the IPARD Programme has been established.

Regarding *financing* of the national measures and the measures of the pre-accession rural development assistance, based on the Law on Establishing an Agency for Financial Support of Agriculture and Rural Development (Official Gazette of the Republic of Macedonia No. 74/07 of 11th June 2007), the Agency for Financial Support of Agriculture and Rural Development was established (Payment Agency), its Director has been appointed and presently it is employing a total of 29 persons.

The Inter-ministerial Group for rural development has drafted and adopted Rules of Procedure and is convening on regular basis.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Concerning *EU Pre-accession Assistance for Rural Development (IPARD)*, it has been envisaged to adopt the IPARD Programme by the European Commission at the beginning of 2008, and to sign the sectoral and financial agreement for IPARD implementation. Also, it has been envisaged to adopt bylaws for implementation of IPARD, and to draft procedures and guidelines for the Managing Authority (Sector for Rural Development).

As regards *national financing* of the rural development measures, a number of bylaws regulating the area have been envisaged for adoption in 2008. Namely, there will be adopted Rulebooks on implementation of the rural development measures, as well as a Decree on criteria establishing the rural areas, and List of rural areas, and Decree on criteria establishing the areas of limited capacity for agricultural activity (less favoured areas), and List of areas of capacity for agricultural activity. Moreover, there will be adopted and implemented the 2008 Programme for financial support of the rural development as well as a Decree of the Government of the Republic of Macedonia on the manner of realisation of funds from the Programme.

Concerning public-private *partnership* strengthening and involving the stakeholders, the non-governmental and the remaining involved parties in the rural development, the Action Plan establishing rural network in the Republic of Macedonia will be drafted in 2008.

INSTITUTIONAL FRAMEWORK

From institutional standpoint, change of the systematisation of the Sector for Rural Development in 2008 has been envisaged, as well as employment strengthening with additional new persons in the stated. Appropriate training and/or specialisation is planned for all new jobs as well as establishing systems of monitoring the implementation and evaluation of the impact of the rural development measures.

The Committee for monitoring the IPARD Programme will be officially established at the beginning of 2008 and will convene at least twice a year. Furthermore, the work and meetings of Inter-Ministerial Group for rural development will intensify.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

For the needs of implementation of the *EU Pre-accession Assistance for Rural Development (IPARD)*, the planned annual amendments to the programme (2009, 2010) will be implemented and medium-term evaluation of the programme will start.

Regarding *national financing* of rural development, the 2009 and 2010 Programs for Financial Support of Rural Development will be adopted, while regarding the *partnership* strengthening, the Action Plan Establishing Rural Network in the Republic of Macedonia will be adopted in 2009.

INSTITUTIONAL FRAMEWORK

In the medium-term period, strengthening of the Sector for Rural Development (MAFWE) will continue by employing and training an additional staff in 2009 and in 2010.

The Committee for Monitoring the IPARD Programme will be holding regular meetings in order to improve the programme, at least twice a year. Furthermore, the work and meetings of the interministerial Group for Rural Development will intensify.

By the end of 2009, the Rural Network in the Republic of Macedonia will be established.

FOREIGN SUPPORT

The following foreign support has been provided in the short and medium-term periods for successful implementation of the envisaged activities:

- Preparation of IPARD Implementation System (Framework Contract CARDS 2006);
- Preparation of IPARD Implementation and Financial Management System (CARDS 2006);
- Macedonian Agriculture Advisory Strengthening Programme - second phase (SIDA)

3.11.4 ORGANIC AGRICULTURAL PRODUCTION

CURRENT SITUATION

LEGAL FRAMEWORK

Presently, the legal framework has been governed by the Law on Organic Agricultural Production (Official Gazette of the Republic of Macedonia No. 16/04), which has been aligned with the Council Regulation No. 2092/91. A number of bylaws have been adopted on the basis of this Law, concerning: plant and animal organic production, organic processing, registers of producers, processors and traders, expert control, labelling, list of authorised bodies of certification from third countries. Moreover, the Programme for Promotion of Organic Agricultural Production was implemented in the course of 2007.

In September 2007 the National Strategy with Action Plan for Organic Agriculture Production in the Republic Of Macedonia 2008-2011 was adopted.

INSTITUTIONAL FRAMEWORK

The overall competence for regulating the area of organic agricultural production in the Republic of Macedonia is with the Ministry of Agriculture, Forestry and Water Economy (MAFEW) – Sector for Agriculture, Unit for Organic Agricultural Production.

State Agriculture Inspectorate (MAFWE), Ministry of Environment and Physical Planning, Ministry of Economy, Ministry of Health, Ministry of Finance, Institute for Accreditation of the Republic of Macedonia, Institution for Standardisation of the Republic of Macedonia, Bureau for Protection of Industrial Property, National Agency for Promotion of Agricultural Development, the Faculty of Agricultural Science and Food, PSI Institute of Agriculture, Biosan National Union of Organic Associations, accredited bodies for expert control, consultancies and non-governmental environmental organisations participate in the implementation of the measures and activities related to organic agricultural production.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

By the end of 2008, it has been envisaged to draft a new Law on Organic Agricultural Production and bylaws, which will regulate the area of production, processing and trade of organic products, authorisations, control systems and recognition of equivalent systems in export-import of organic products.

INSTITUTIONAL FRAMEWORK

Strengthening of the Unit for Organic Agricultural Production, the Sector for Agriculture (SA) has been envisaged by employing a new staff in 2008 and the State Agriculture Inspectorate with a new staff in 2008, as well as staff trainings at institutional level, market-oriented organisations - associations of organic producers. Also, it has been envisioned to support activities in high and higher education, as well as to support scientific-research projects for organic agriculture.

Software programs will be designed for registration of production, processing and circulation of organic products, database of accountancy and other data for the needs of Agriculture Information System (AIS), the State Statistical Office of the Republic of Macedonia, Eurostat and FAO, as well as building efficient control system of organic production, monitoring and communications network with all participants involved.

Moreover, appropriate budget support has been provided at annual level through the "2008 Organic Agriculture Support Programme" for developing the domestic as well as fulfilling the market requirements of the export market in the developed countries.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Ongoing adjustment of regulation and the legal acts which deals with the area of domestic and international legal acts on organic production and defining the cooperation policy with the NGO sector.

Preparation and implementation of the Programme for Support of Organic Agriculture for 2009 and 2010.

INSTITUTIONAL FRAMEWORK

It has been envisaged to strengthening the Unit for Organic Agriculture Production, Sector for Agriculture (SA) by new employment in 2009 and the State Agriculture Inspectorate in the period 2009-2010, and their training in the course of 2009 and 2010.

During this period, the database at MAFEW and the communications network in the institutions will be finalised.

FOREIGN SUPPORT

Project "Organic Agriculture in Macedonia 2005-2008" supported by the Swiss Government through SECCO, and SDC – Swiss Agency for Cooperation Development. Project extension planned over 2009-2011.

Foreign support is planned for the activities defined in the "2008-2011 National Strategy with Action Plan for Organic Agriculture in the Republic of Macedonia" through projects by interested donors, who can demonstrate their interest at a planned donor conference on organic agriculture.

3.11.5 QUALITY POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Industrial Property (Official Gazette of the Republic of Macedonia No. 47/2002, 42/2003, 9/2004, 39/2006 и 79/2007), laying down the acquisition, realisation and protection of the industrial property rights. The law provides for protection of geographical names with mark of origin and geographical mark as well as the usage of protected geographical names. According to the law, protection of non-geographical, traditional names is laid down with the provision referring to the protection of geographical names. Pursuant to the same, Rulebook for protection of geographical indications (Official Gazette of the Republic of Macedonia No/18/04) has been drafted.

For the purposes of aligning the Macedonian legislation with that of the EU in the area of quality policy, in particular concerning laying down the standards for certain agricultural products and produce of plant and animal origin, as well as laying down protection of their origin and/or specifics, the Law on Agriculture and Rural Development (Official Gazette of Republic of Macedonia No. 134/07) was adopted in 2007, providing the basic framework for adoption of future possible bylaws regulating policy on agricultural products quality.

Moreover, within the framework of the Programme for Promotion of Agricultural Development in 2007 (Official Gazette of the Republic of Macedonia No. 45 of 10th April 2007), the Quality Standards and Food Safety measure was envisaged and implemented, amounting to MKD10,000,000.00.

INSTITUTIONAL FRAMEWORK

The State Office of Industrial Property is a body whose competence is acquisition, realisation and protection of the industrial property rights, including the protection of geographical indications and its usage.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In the course of 2008, the Ministry of Agriculture, Forestry and Water Economy will draft a priority list of agricultural products having potential for export and which would be subject to protection and marketing promotion in foreign markets. During the same period, a measure dedicated to quality standards and food safety will be implemented within the Programme for Promotion of Agricultural Development.

INSTITUTIONAL FRAMEWORK

It has been envisaged to strengthen the State Office of Industrial Property (see Chapter 3.7).

Within the framework of MAFWE it has been envisaged to monitor the agricultural products with protected origin and to strengthen the cooperation with the State Office of Industrial Property.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In the course of 2009, new Law on Industrial Property and the Rulebook on Geographic Names will be drafted. Also, in this period it has been envisaged to expand the List of priority agricultural products for protection of their geographical indications and implementation of the protection, as well as preparation of a Programme for quality standards and food safety for 2009 and 2010 and its implementation.

INSTITUTIONAL FRAMEWORK

Capacity strengthening of the State Office of Industrial Property (see Chapter 3.7). Within the framework of MAFWE it has been envisaged to strengthen the capacity by new employment in 2010, and to train and upgrade the currently and newly employed staff in the area of protection of geographical indications and quality of agricultural products.

Moreover, within the MAFWE, it has been envisaged to establish record of products meeting certain quality standards and/or having protection of geographic or traditional name.

FOREIGN SUPPORT

None

3.12 FOOD SAFETY, VETERINARY AND PHYTOSANITARY POLICY

3.12.1 GENERAL

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Food Safety and Products and Materials in Contact with Food (Official Gazette of the Republic of Macedonia No 54/02) is a basic legal act that regulates the conditions for providing safety of food and products and materials in contact with food, in the production and on the market, the rights and the obligations of the natural and legal persons producing and placing on the market food in order to protect the human health, to protect consumers against fraud and to provide free circulation of products in the internal and external market. The following EU legal acts have been incorporated in the Law: 32002R0178, 31997R0258, 32000L0013, 32001L0018.

The Law Amending the Law on Food Safety and Products and Materials in Contact with Food (Official Gazette of the Republic of Macedonia No 84/2007) was adopted and harmonised with the following Regulations 178/2002, 852/2004 and 882/2004.

MORE DETAILS IN 3.12.4

3.12.2 VETERINARY POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

As of 2 October 2007, the Government of the Republic of Macedonia adopted Business Plan of the Veterinary Directorate whose strategic aim is to propose a map, i.e. clear directions for planning the future activities and administrative strengthening of the Veterinary Directorate as well as carrying out and recording official controls in the area of animal health and, welfare, public veterinary health, treatment of animal by-products, feedingstuffs and veterinary medicines, pursuant to the actual and relevant EU acquis and practices.

In the area of veterinary policy, in the past period a number of laws and bylaws, harmonised with the European legislation were adopted. The Law on Veterinary Health (Official Gazette of the Republic of Macedonia No 113/07), a number of national programmes related to eradication of Bovine Brucellosis, Bovine Tuberculosis and eradication of TSE (Official Journal of the Republic of Macedonia No. 22/07), as well as contingency plans concerning Avian Influenza (Official Gazette of the Republic of Macedonia No 82/07), and Blue Tongue disease (Official Gazette of the Republic of Macedonia No 104/07).

Also the Law Amending the Law on Animal Identification and Registration (Official Gazette of the Republic of Macedonia No 81/07), and Law on Animal Welfare and Protection (Official Gazette of the Republic of Macedonia No 113/07) were adopted.

INSTITUTIONAL FRAMEWORK

According to the new internal organisation as of September 2007, the Veterinary Directorate foresaw changes in its organisational structure. The new structure refers to establishing Sectors (a total of 4) where the existing units and the new established ones were incorporate. Accordingly, the Veterinary Directorate consist of four sectors divided into a number of units:

- Sector for Animal Health Protection
- Sector for Public Veterinary Health
- Sector for Border Veterinary Inspection
- Sector for Normative and Legal Affairs

In the direction of strengthening institutional capacity a number of activities have been undertaken to strengthen the institutional capacity of the veterinary services.

The final phase of the open announcement for employment of 20 persons – higher educated staff in the Veterinary Directorate (18 as state veterinary inspectors in the MAFWE regional offices, and 2 at the central office in the Sector for Normative and Legal Affairs) is finished.

In the past period, a great number of training courses and workshops were carried out in the area of food safety in terms of EU hygiene package legislation, structure and implementation of official controls in slaughterhouses, dairy plants, processing facilities of food of animal origin, HACCP, GMP, GHP, registration procedures and procedures for approval of establishments, management quality, in which a great number of employees in the Veterinary Directorate participated. Furthermore, training for laboratory staff involved with the accreditation and ISO standardisation, was carried out.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

During 2008 following rulebooks harmonised with the relevant EU legislation will be adopted:

Rulebooks stipulated from the Law on Veterinary Health: Contingency plan for Foot-and-Mouth Disease, Rulebook on veterinary border controls, Rulebook on staff training involved in the official controls, Import requirements for live animals and products of animal origin etc,

Rulebooks stipulated from the Law on Animal Identification and Registration regulating identification and registration of sheep and goats, Central Farm Register, computer database.

In addition, rulebooks deriving from Law on Animal Welfare and Protection will be adopted regulating conditions for keeping the animals for farming purposes, protection of animals during transportation, protection of animals during slaughtering and killing.

The following Laws are envisaged to be adopted:

- Law on Veterinary Medical Preparations that regulates the conditions and procedures for approval, placing on the market, production, import, possession, trade, use and control of veterinary medical preparations, trade and use of biocides applied in veterinary medicine, medical instruments and medical devices applied in veterinary medicine, narcotics, psychotropic substances and precursors for production of veterinary medical preparations. This Law also applies to active pharmacological substances used as raw material and certain substances that may be used as veterinary medical preparations, and which have anabolic, anti-infective, anti-parasitic, anti-inflammatory, hormonal or psychotropic characteristics.
- The Law on Livestock Breeding regulates the issues related to the breeding policy, defined zootechnical standards, herd books and herd registry, breeder organisations and trade of purebred animals and purebred animal semen and embryos.
- The Law on Animal Feeding covers competences, and the structure of competent authorities, manner and procedures of carrying out official control and provision of high level protection of human and animal health, and environment from activities related to feed hygiene and animal feeding. The Law covers additives, prohibited substances in feed, medicated feedingstuffs etc.

Adoption of rulebooks related to internal market control systems, control and conditions for import of aquaculture, compulsory notifiable diseases, animal diseases control measures will continue.

INSTITUTIONAL FRAMEWORK

In 2008, the existing act for internal organisation of the Veterinary Directorate will be amended to introduce work posts of essential importance for the work scope such as financial management, accounting, internal audit, human resource management, IT support, quality control.

During 2008 the number of employees in the Veterinary Directorate is expected to be enlarged.

Training of all staff in the Veterinary Directorate will be carried out on the procedures as laid down in the new legislation in accordance to European legislation in the field of animal health, animal welfare, food and feed safety, veterinary medical products and animal by-products.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Adoption of rulebooks will continue in terms of harmonisation with the European legislation related to the conditions of trade of semen, ova and embryos, identification and registration of swine, equine and other animals, welfare of experimental animals, specific rules for feed: feed additives, undesirable substances, medicated feedingstuffs, and etc.

The monitoring of the EU veterinary acquis and its transposition in the national legislation will continue in the future.

INSTITUTIONAL FRAMEWORK

During 2009 and 2010 increase of the number of employments within the Veterinary Directorate is foreseen.

An analysis the possibility of establishing an independent body for veterinary policy and food safety in envisaged aimed at introducing integrated system for food safety in line with the practices recognised in many EU Member States.

In addition, strengthening the capacity of the Veterinary Directorate is foreseen in terms of:

- Building efficient and trained staff according to EU requirements,
- Development of Veterinary Information System – VIS (purchase of IT equipment for Veterinary Directorate and establish integrated IT system),
- Procurement of appropriate equipment for veterinary inspection services for on-site operation,
- Provision of conditions for efficient system for identification and registration of sheep and goats (procurement of ear tags, GIS software and GDP devices, PDA readers),

- Procurement of equipment for implementation of contingency plans for eradication of diseases such as Foot-and-Mouth Disease, Classical swine fever and Avian influenza,
- Drafting Feasibility Study for collection, transport, disposal of animal by-products assessment of environmental impact.
- Carrying out awareness campaign aimed at producers (slaughterhouses, dairy plants, SME processors, in particular export-oriented to EU) for the design and criteria for construction of farms and processing plants, production and placing on the market of safe food (GMP, HACCP, and etc.) including export market

With regard to the Veterinary Laboratory and the laboratory of the Institute for Food Safety within the Faculty of Veterinary Medicine as referent laboratory, they will be equipped and their staff provided with appropriate training.

3.12.3 PLACING ON THE MARKET OF FOOD AND FEED

See details in 3.12.2

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Public Veterinary Health (Official Gazette of the Republic of Macedonia No 114/07) has been adopted and it regulates general and special conditions for performing public veterinary health and animal health with regard to public veterinary health as follows: obligations of food operators, registration and approval of food operators and facilities, import and export of food, food official controls and their funding, monitoring of residues and prohibited substances, zoonoses and zoonose carriers, antimicrobial resistance as well as other issues of importance for public veterinary health; furthermore, the Law on Animal By-Products (Official Gazette of the Republic of Macedonia No 113/07) has been adopted and it regulates categorisation, collection, transportation, disposal, processing, use and storage of animal by-products from the aspect of animal health and public veterinary health.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

According to the Law on Public Veterinary Health, rulebooks will be adopted to regulate the approval and registration procedure of food operators as well as the special requirements for food of animal origin for: meat and meat products, milk and milk products, other products, fish, molluscs, conditions for animal slaughtering, and etc.

In the direction of improved implementation of the Law on Animal By-Products, a number of bylaws will be adopted in compliance with European legislation.

3.12.4 FOOD SAFETY RULES

CURRENT SITUATION

LEGAL FRAMEWORK

Aiming at implementation of the food safety policy, a number of strategic documents have been adopted by the Government of the Republic of Macedonia:

- Food Safety Strategy of the Republic of Macedonia, for the period 2007-2012,
- Strategic Plan of the Food Directorate for 2008-2010
- Annual Plan and Working Programme of the Food Directorate for 2008.

The Law Amending the Law on Food Safety and Products and Materials in Contact with Food (Official Gazette of the Republic of Macedonia No 84/2007) has been adopted. Adoption of the amendments pursued harmonisation of the national legislation with the following Regulations: 178/2002, 852/2004, 882/2004. According to the Law on Food Safety, eight rulebooks have been adopted that are in compliance with the EU legislation.

4 bylaws have been published deriving from the Law on Tobacco, which are in compliance with the European legislation. They refer to permitted and prohibited additives, permitted additives in tobacco products.

6 national regulations-bylaws have been adopted that further regulate the food safety policy.

Other documents have been adopted and published that refer to the Food Directorate operation, which are harmonised with the European legislation, as follows:

1. Translation of DG SANCO Guide pursuant to Regulation 852/2004,
2. Translation of DG SANCO Guide pursuant to Regulation 853/2004, and
3. Food Products Labelling Guide.

INSTITUTIONAL FRAMEWORK

The Food Directorate as an authority within the Ministry of Health has the competences for carrying out the expert and administrative matters in the field of food safety and products and materials in contact with food. The state food inspectors carry out control in all stages of food production and circulation, including catering facilities and import and export of food. The Food Directorate establishes risk analysis systems, ensures consumer protection and prompt information in the food area.

The Food Directorate has a total of 87 employees. According to the new internal organisation, the Food Directorate consists of three Sectors comprised of a number of units:

- Sector for Food Standards;
 - a. Unit for Normative and Administrative Legal Affairs and Human Resources, Unit for Administrative Affairs and Information and Analytical System,
 - b. Unit for Consumer Protection,
 - c. Unit for Types of Nutritious Food, Food Additives, GMO Food and Food Produced by Innovative Technologies,
 - d. Unit for Quality Protection.
- Sector for Inspection Supervision comprises five (5) regional units for inspection supervision
- Sector for Risk Analysis:
 - a. Unit for Risk Assessment,
 - b. Unit for Risk Communication and Information that simultaneously monitors Rapid Alert System (RASFF),
 - c. Unit for Scientific and Expert Issues and Support of International Projects, Unit for Monitoring the Food Safety Programme

New activities of certain Units anticipated by the new internal organisation are as follows:

- Unit for Consumer Protection is to ensure consumer protection from deception, whereupon detection of food labelling will be performed, drafting information on the situation established, recording of complaints, systematisation, evaluation and drafting information for all. It will interim monitor food advertising in print and electronic media, participate in drafting a monitoring programme for food safety in the area of consumer protection, carry out consumer informing and education, i.e. developing or enhancing consumer protection policy.

Activities of this Unit will be to monitor implementation of tobacco products labelling pursuant to the Law on Tobacco and Tobacco products.

- The Unit for Food for Specific Nutritious Use, Food Additives, Food Produced by Innovative Technologies and GMO Food will record production capacities for nutritious food, food produced by innovative technologies and GMO food, draft approval thereto on the basis of applications submitted and monitor the set of products produced by those manufacturers. It will, interim, record the products on the market of the Republic of Macedonia, imported and domestically produced, of the category of nutritious food, food produced by innovative technology and GMO food. Part of the work of this Unit is issuing opinions to producers and importers upon their requests relating to food for special nutritious use, additives, food produced by innovative technology and GMO food.

Monitoring of marketing and advertising of food for special nutritious use, additives, food produced by innovative technology and GMO food will also constitute part of the work of this Unit.

- The Unit for Quality Protection will be in charge of introducing ISO 9001-2000 Standard in the Food Directorate as a carrier of this activity to ISO 9001 certification and will ensure maintenance of ISO 9001 Standard in the Food Directorate.

Furthermore, this Unit will be responsible for preparing accreditation inspection body i.e. of the Sector for Inspection Supervision for accreditation of ISO 17020 Standard.

In addition, it will be responsible for preparing the Food Directorate for implementation of CAF Standard, i.e. assessment of the preparedness for implementation of this Standard in the Food Directorate.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

According to the Law on Food Safety and Products and Materials in Contact with Food the following rulebooks are planned to be adopted in compliance with the European legislation:

1. Rulebook on determining the content of erucic acid in fats and oils;
2. Rulebook on the special requirements for food and ingredients produced by innovative technologies;

3. Rulebook on the microbiological criteria for food safety;
4. Amendments to the Rulebook on drinking water safety;
5. Rulebook on the manner and methods of sampling;
6. Rulebook on the special requirements for safety of genetically modified food;
7. Rulebook on the methods of official control and certification for import and export and internal market of fresh fruit and vegetables
8. Draft Rulebook on the special requirements for alcoholic beverages;
9. Rulebook on the Special Requirements to be met by the products and materials in contact with food;
10. Rulebook on determining maximum permitted level of radioactivity of foodstuffs caused by nuclear disaster or any other case of radiological emergency.

The following regulations, planned as a short-term priority, are not harmonised with the European legislation; however they are taking the course of implementing the food safety policy and they will be part of the national legislation.

1. Rulebook on the quality of cereals, milled and pastry products;
2. Rulebook on the quality of refreshing soft drinks;
3. Rulebook on the quality of the cooking oils and vegetable fats, margarine, mayonnaise, and related products;
4. Rulebook on the quality of tea, spices, baking yeast, baking powder and pudding powder;
5. Rulebook on the quality of biscuits and biscuit related products;
6. Rulebook on the quality of acetic acid and diluted acetic acid;
7. Rulebook on the quality of dried soups and sauce concentrates.

In addition to the adoption of the legal acts, a short-term priority will be:

- Developing programmes for analysis and risk assessment of certain food types within the Food Directorate.
- Carrying out inspection supervision based on risk analysis;
- Evaluation of the results from the National monitoring programme for food safety and its upgrading.
- Strengthening consumer protection policy;
- Certification of ISO 9001 Standard;
- Introducing Sector for Inspection Supervision in the procedure for accreditation of ISO 17020 Standard;
- Implementing Strategy for Food Safety Control of the Republic of Macedonia 2007-2012 with Action Plan.

INSTITUTIONAL FRAMEWORK

With regard to employments, short-term priority is:

- Strengthening the food safety and quality control by providing appropriate number of food inspectors
- Collecting data for establishing database concerning unsafe food and products and materials in contact with food
- Monitoring, evaluation and reporting on the implementation of the National Monitoring Programme for Food Safety Control and review and upgrading relating to the results supplied
- Updating of the data in the register for recording production capacities for nutritious food types, food produced by innovative technologies and GMO food
- Establishing network connection among the institutions engaged in food safety control

With regard to trading the following is foreseen to be realised:

- Appropriate training to food inspectors (for the new employees)
- Appropriate training to food inspectors on application of equipment
- Training to state food inspectors on issuing safe food certificates to food exporters
- Training to food inspectors on supervision to be performed in facilities with implemented HACCP system
- Training to inspectors on the use of application software for control of food safety
- Training to the staff in the Unit for Types of Nutritious Food, Food Produced by Innovative Technologies and GMO Food, and
- Training to the staff in the Unit for Work Quality and Maintenance of the Standard Procedures in the Food Directorate.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

As medium-term priority is foreseen implementation and evaluation of the existing legal framework and at the same time adoption of bylaws deriving from the Law on Product Safety, which will be harmonised with the European legislation.

Other planned activities are as follows:

- Developing a programme for analysis and risk assessment of certain food types within the Food Directorate.
- Carrying out inspection supervision based on risk analysis.
- Evaluation of the results from the National Monitoring Programme for Food Safety and its upgrading.

- Strengthening consumer protection policy.
- Accreditation of the Sector for Inspection Supervision within the Food Directorate with the ISO 17020 Standard.
- Upgrading the Strategy for Food Safety Control of the Republic of Macedonia 2007-2012 with Action Plan.

For the purpose of implementation of the food safety policy, as medium-term priority, all novelties in the EU legislation will be followed and implemented in the national legislation.

INSTITUTIONAL FRAMEWORK

Strengthening of the food safety and quality control has been planned by providing appropriate number of food inspectors.

From the aspect of training, as a medium-term priority, the following has been envisaged to be realised:

- appropriate training to food inspectors
- Training to the staff in the Unit for Types of Nutritious Food, Food Produced by Innovative Technologies and GMO Food.
- Training to the staff in the Unit for Work Quality and Maintenance of the Standard Procedures in the Food Directorate.

3.12.5 SPECIFIC RULES FOR FEED

CURRENT SITUATION

LEGAL FRAMEWORK

INSTITUTIONAL FRAMEWORK

The Veterinary Directorate, the State Agriculture Inspectorate and the Phytosanitary Directorate are in charge of implementation of the specific rules for feed.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

INSTITUTIONAL FRAMEWORK – See details in 3.12.2

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The Law on Animal Feeding will be adopted to cover competences, structure of competent authorities, manner and procedure for carrying out official controls and provision of high level protection of human and animal health, and environment from activities relating to feed hygiene and animal feeding. The Law will also cover additives, prohibited substances in feed, medicated feedingstuffs, and etc.

INSTITUTIONAL FRAMEWORK

FOREIGN ASSISTANCE

3.12.6 PHYTOSANITARY POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

Strategic documents that define phytosanitary policy and the guidelines for development in this area are as follows:

- International Plant Protection Convention, IPPC
- European Plant Protection Organisation Standards, EPPO
- Strategy for Adjustment of the Macedonian Agricultural and Food Sector with SAP
- MAFWE 2007-2009 Strategic Plan
- National Strategy for Integrated Border Management with Action Plan.

During 2007, the Phytosanitary Directorate adopted a number of laws and bylaws harmonised with the European legislation. The following laws were adopted: Law on Plant Protection Products (Official Gazette of the Republic of Macedonia No 110/07), which is harmonised with Directive 91/414, the Law on Fertilisers (Official Gazette of the Republic of Macedonia No 110/07) harmonised with Regulation 2003/2003, and pursuant to the Law on Plant Health (Official Gazette of the Republic of Macedonia No 29/05), four bylaws relating to potato were adopted and published in (Official Gazette of the Republic of Macedonia No 32/2007), which are in compliance with Directive 69/464.

The Seed and Planting Material Directorate adopted nine bylaws deriving from the Law on Seed and Planting Material for Agricultural Plants (Official Gazette of the Republic of Macedonia No 39/2006), which are in compliance with the European legislation.

Furthermore, the Law on Protection of New Varieties of Agricultural Plants was adopted (Official Gazette of the Republic of Macedonia No 64/2007). This Law has been harmonised with International Convention for the Protection of New Varieties of Agricultural Plants (UPOV).

INSTITUTIONAL FRAMEWORK

The Phytosanitary Directorate as an authority within the MAFWE is in charge of implementation of the phytosanitary policy. The current number of the employees is 29, of which 10 on border inspection posts; the control is done by 16 phytosanitary inspectors and 2 local phytosanitary inspectors, 3 Heads of Units, 2 junior associates, 3 technicians, 3 regional reporters and competent institutions for monitoring of the health situation of the plants.

Pursuant to the Law on Plant Health, State Phytosanitary Laboratory has been established. Its main objectives are diagnosis and determination of harmful organisms, analysis of physical and chemical characteristics of products for plant protection, analysis of active material as well as perform biological examinations in certain areas of phytosanitary health. The laboratory currently is in the process of staffing.

26 state agriculture inspectors of the State Agriculture Inspectorate within the MAFWE carry out inspection supervision and control in the production, circulation and use of plant protection products.

According to the new internal organisation of 2007, the Phytosanitary Directorate was expanded with 2 new sectors consisting of 6 units. Organisational setting of the Phytosanitary Directorate comprises:

1. Sector for Phytosanitary Inspection including the following units

- Unit for Border Inspection
- Unit for Internal Inspection

2. Sector for Agro-chemistry and Plant Protection including the following units

- Unit for Fertilizers
- Unit for Plant Protection Products
- Unit for Plant Protection
- Unit for Legal Regulation

The Seed and Planting Material Directorate is in charge of conducting certification of seed and planting material, examination of new varieties of agricultural plants, issuing licenses for import of seed and planting material, keeping register of seed material suppliers and register of planting material suppliers. The Directorate currently has 6 employees.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The Phytosanitary Directorate has envisaged adoption of a number of bylaws in 2008, deriving from the Law on Plant Health and harmonised with the European legislation, as follows: a list of harmful organisms, registration of producers and importers of plants and plant products and orders for potato control.

The Seed and Planting Material Directorate has envisaged to adopt a number of bylaws in the part of inspection control, control and monitoring of diseases and harmful organisms pursuant to European Directive on Plant Health 2000/29, then in the part of issuing approvals for import of plant protection products in accordance with Directive on Plant Protection Products 91/414.

In the area of structural policies, adoption of an annual Programme for Plant Protection has been envisaged and its implementation as well as implementation of the measures thereof.

In the direction of ratification of UPOV Convention, Law on Ratification of UPOV Convention has been envisaged.

According to the Strategic Plan, the Seed and Planting Material Directorate, as a short-term priority, has envisaged to realise the following objectives and activities:

- Approximation of the national legislation with the EU regulations and implementation of the international standards and methods (drafting bylaws pursuant to the Law on Seed and Planting Material for Agricultural Plants and the Law on Protection of New Varieties of Agricultural Plants);
- Keeping register of seed material suppliers and register of suppliers of planting material for agricultural plants; organising recording, maintenance and permanent storage of seed and planting material in the National Gene Bank; control of the production of seed material during vegetation period
- Introducing new more quality varieties with higher genetic productivity and increasing agricultural production;
- Intensifying the use of certified seed and planting material varieties recognised and produced in the Republic of Macedonia;

- Establishing pre- and post- control of seed material lots produced in the Republic of Macedonia;
- Enhancing storage, long-term keeping and maintenance of quality properties of seed material;
- Testing quality properties of the samples of seed and planting material varieties;
- Compensating the costs of the activities of authorised producers of specified and high yield seed material, in particular in low yield crops influenced by increased competitive pressure.

INSTITUTIONAL FRAMEWORK

Institutional strengthening and staffing of the Phytosanitary Directorate and the Seed and Planting Material Directorate have been envisaged, strengthening the institutional capacities on central and local level aimed at strengthening control system for import, export and re-export control, implementing passport system, issuing plant passports, expanding the number of plant phytosanitary inspections.

According to the Strategic Plan, the Seed and Planting Material Directorate, as a short-term priority, has envisaged the following activities:

- Further staffing of the State Phytosanitary Laboratory;
- Carrying out training in line with the Strategy for Agriculture and Rural Development intended for timely and competent implementation of the new analytical, diagnostic methods and control of quality and health condition of seed and planting material (in referent European laboratories and in cooperation with national and foreign experts);
- Providing scientific and expert literature and access to databases;
- Providing additional premises for the need of certain laboratories and their equipping;
- Participating in international and national projects in the area of plant protection;
- Carrying out laboratory testing in accordance with the international protocols and international acknowledged standards and methods;
- Introducing, verifying and testing plant protection products in line with CIPAC methods (10 chronographic methods (10 new active substances) in accordance with the Phytosanitary Directorate Annual Programme;
- Introducing, verifying and diagnosing harmful organisms in line with the EPPO methods and other international acknowledged methods (nematology, 4 methods, bacteriology – 4 methods, molecular diagnostic – 7 methods, mycology – 7 methods, virology 8 serological and 4 molecular, entomology - macroscopic and microscopic identification);
- Introducing, verifying and testing seed and planting material in line with the ISTA;
- Analysing samples (routine analyses) in line with the Phytosanitary Directorate Annual Programme and the number of samples delivered by the relevant inspection services;
- Assistance to the MAFWE in drafting agriculture development policy in the area of plant protection and health and participation in tracking and monitoring the occurrence of harmful organisms according to the requirements of EU Directives in cooperation with the Plant Protection Directorate within the MAFWE.
- Introducing a quality management system in line with the ISO 17025 Standard and preparing of accreditation laboratory (drafting first- second-, third- and fourth- level documents, calibration of measuring instruments)
- Informing agricultural producers on the laboratory activities;
- Disposal of waste and minimizing the consequences on environment according to the Law on Waste Management;
- Control of plant health, plant health products and fertilizers in the territory of the Republic of Macedonia.

Further strengthening of the capacities of the Seed and Planting Material Directorate has been envisaged in 2008.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

With regard to phytosanitary policy, further harmonisation of the national legislation with EU legislation has been envisaged as well as realisation of a number of activities as follows: adoption of bylaws deriving from the Law on Plant Protection Products, procedures for registration of producers and importers of plants and plant products, issuing plant passports and introducing concept for protected zones and training of the staff on the protected zones requirements.

Relating to the part of seed and planting material, harmonisation of the national legislation with EU legislation will be undertaken and adoption of bylaws will continue deriving from the Law on Seed and Planting Material for Agricultural Plants and the Law on New Varieties of Agricultural Plants.

INSTITUTIONAL FRAMEWORK

For the purpose of conducting supervision and control, new employments on central and local level within the Phytosanitary Directorate has been envisaged.

Training to expert staff has been envisaged on conducting expert control and post-control on the production of sown fields and plantations through OECD official organisational schemes, training to expert staff on implementation of a procedure for variety approval for proving variety diversity, uniformity and stability (DUS test), participation in international meetings organised by ISTA, UPOV and OECD intended for adhering to European legislation as well as joining the ISTA and UPOV.

The Seed and Planting Material Directorate will be additionally strengthening the capacities of the Unit for Gene Bank in 2010.

3.13 FISHERIES

3.13.1 RESOURCE AND FLEET MANAGEMENT, INSPECTION AND CONTROL

CURRENT SITUATION

LEGAL FRAMEWORK

For the purpose of harmonisation of Macedonian legislation with the EU legislation in the area of fisheries, in particular with regard to structural and market policies, and the fisheries and aquaculture information system, in 2007 the Law on Fisheries and Aquaculture (Official Gazette of the Republic of Macedonia No. 7/08) was drafted and submitted to parliamentary procedure. The Law is also a legal framework for further regulation of fisheries policy in accordance with the principles of the EU Common Fisheries Policy.

INSTITUTIONAL FRAMEWORK

The Unit for Fisheries (Sector for Agriculture) within the Ministry of Agriculture, Forestry and Water Economy with two employees is in charge of drafting, proposing and implementing the legal regulation as well as for administrative and expert issues in the area of fisheries.

Besides the Unit for Fisheries, the State Agriculture Inspectorate, a body within MAFWE, is directly responsible for inspection supervision on implementation of the provisions referred to in the Law on Fisheries and Aquaculture (Official Gazette of the Republic of Macedonia No. 7/08)

Veterinary Directorate is competent for fish health protection.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

During 2008, adoption of number of bylaws is foreseen to regulate fisheries policy.

In the area of resource, inspection and control management in fisheries, adoption of nine bylaws is foreseen to regulate determination of fishing areas, zones and pools, and recreational zones; commercial fishery, recreation and sports fishery; equipment, tools and other means of fishery; as well as control in fishery.

INSTITUTIONAL FRAMEWORK

In the area of resource, inspection and control management in fisheries, for the purpose of more efficient inspection supervision, new employment of fishery inspector is foreseen within the State Agriculture Inspectorate. Furthermore, for the purpose of monitoring structural and market policies and information dissemination in the area of fisheries, a single ICT system in this field will be established in 2008.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

On the basis of the Programme for fisheries and aquaculture development for a 12-year period (2008-2019), drafting programmes for fisheries development will be assumed an annual activity. Moreover, making fishery grounds for fishery pools is an activity to be continuously realised in this period.

INSTITUTIONAL FRAMEWORK

In the area of resource, inspection and control management in fisheries, for the purpose of more efficient supervision and control, new employment of fishery inspector is foreseen within the State Agriculture Inspectorate in 2009. .

FOREIGN ASSISTANCE

None

3.13.2 STRUCTURAL ACTIVITIES

CURRENT SITUATION

LEGAL FRAMEWORK

See details in 3.13.1 Resource and Fleet Management Inspection and Control

INSTITUTIONAL FRAMEWORK

See details in 3.13.1 Resource and Fleet Management Inspection and Control

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

During 2008, adoption of number of bylaws is foreseen to regulate fisheries policy.

In the area of structural policies, the adoption of Programme for fisheries and aquaculture development for a 12-year period (2008-2019) is foreseen, as well as annual Programme for fisheries development in 2009, incorporating draft measures and manner/guideline for their implementation. In addition, according to the Law on Fisheries and Aquaculture (Official Gazette of the Republic of Macedonia No. 7/08) and the bylaws thereof, three fishery grounds for fishery areas in the Republic of Macedonia will be prepared.

INSTITUTIONAL FRAMEWORK

In the area of structural policies, for the purpose of asset management of the Programme for fisheries development, staff strengthening of the Unit for Fisheries by new employment is foreseen.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

See details in 3.13.1 Resource and Fleet Management Inspection and Control

INSTITUTIONAL FRAMEWORK

See details in 3.13.1 Resource and Fleet Management Inspection and Control and 3.13.3 Market Policy

FOREIGN ASSISTANCE

None

3.13.3 MARKET POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

See details in 3.13.1 Resource and Fleet Management Inspection and Control

INSTITUTIONAL FRAMEWORK

See details in 3.13.1 Resource and Fleet Management Inspection and Control

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

During 2008, adoption of number of bylaws is foreseen to regulate fisheries policy.

In the area of market policy, adoption of three bylaws is foreseen to regulate the fish quality that are put into circulation, manner and forms of organisation and association in fisheries as well as technical requirements to be met by fishing points.

INSTITUTIONAL FRAMEWORK

In the area of market policy, for the purpose of more efficient inspection supervision on implementation of market policies in the area, new employment of fishery inspector is foreseen within the State Agriculture Inspectorate. Furthermore, fishing points will be constructed for the needs of performing and monitoring economic fishing pursuant to the Law.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

See details in 3.13.1 Resource and Fleet Management Inspection and Control.

INSTITUTIONAL FRAMEWORK

In the area of market policy, for the purpose of more efficient inspection supervision on implementation of market policies in the area, new employment of fishery inspector is foreseen within the State Agriculture Inspectorate in 2009, as well as staff strengthening of the Unit for Fisheries for the needs of monitoring the markets and development of market policies by new employment in 2009. Construction of fishing points will be ongoing activity in this period.

FOREIGN ASSISTANCE

None

3.14 TRANSPORT POLICY

3.14.1 ROAD TRANSPORT

CURRENT SITUATION

LEGAL FRAMEWORK

Access to market

The Law on Road Transport (Official Gazette of the Republic of Macedonia No. 68/04 and 127/06) regulates the conditions and manner in which transport of passengers and goods in the internal and international road transport is performed. Several EU measures have been implemented in the Law: Directive 96/26/EC, Directive 84/647/EEC, Regulation 56/83/EEC, Regulation 684/92/EEC, Regulation 881/92/EEC, Regulation 3118/93/EEC, Regulation 792/94/EC, Regulation 3315/94/EC, Regulation 12/98/EC, Regulation 2121/98/EC. Based on the Law, all bylaws deriving from it were adopted in 2007.

Fiscal issues

The Law on Public Roads (Official Gazette of the Republic of Macedonia No. 26/96, 40/99, 96/00, 29/02, 68/04, 31/06, 30/07 and 137/07) regulates the conditions and manner of construction, reconstruction, maintenance, protection, use, management, financing of public roads, as well as the supervision. The following directives have been incorporated in the Law: Directive 62/99, Directive 52/04.

A Decision on toll payment for the use of the highways in Republic of Macedonia has been adopted (Official Gazette of the Republic of Macedonia No. 50/07) and its implementation started on 1 January, 2008. This Decision stipulates that the toll shall be paid not based on the price of the fuel but on the use of the infrastructure.

Dangerous goods

The transport of dangerous goods is regulated with the Law on Transport of Carriage of Dangerous Goods by Road and by Rail (Official Gazette of the Republic of Macedonia No. 92/07) that stipulates the conditions for transport of dangerous goods (preparation of the goods, loading, transport, further manipulation, unloading, transport safety, equipment of the vehicles and training of the staff). The following measures from the EU legislation have been incorporated in the Law: Directive 94/55/EC, Directive 2000/61/EC, Directive 2001/7/EC, Directive 95/50/EC, Directive 2001/26/EC, Directive 2004/112/EC, Directive 1996/35/EC, Directive 2000/18/EC, Directive 98/91/EC, Directive 96/49/EC, Directive 2006/90/EC. Based on the Law, all bylaws deriving from it have been adopted.

Safety issues

The Law on Road Transport Safety (Official Gazette of the Republic of Macedonia No. 54/07) stipulates the road protection measures, the road transport rules, the conditions that have to be met by the vehicles in road transport, the devices and equipment that the vehicles have to have, the requirements for the acquisition of the right to drive vehicles, check and technical control of the vehicles and other. The following measures of the EU legislation have been incorporated in the Law: 2002/85/EC, 1996/53/EC, 1991/671/EC, 1985/3820/EC, 1985/3821/EC, 1991/439, 1997/26/EC, 2002/15/EC, 2004/11/EC, 1992/6/EC, 2000/56/EC, 1996/47/EC, 1996/96, 2003/127, 1989/459/EC, 1988/599/EC. Based on the Law, all bylaws deriving from it have been adopted.

INSTITUTIONAL FRAMEWORK

The competent authorities for the implementation of matters related to transport of passengers and goods in the internal and international road transport are: the Ministry of Transport and Communications, the State Transport Inspectorate – body within the Ministry of Transport and Communications authorised for inspection supervision, the Ministry of Finance – Customs Administration and units of local self - government.

In the Ministry of Transport and Communications there are three units in the Sector for Road Transport and Infrastructure working on transport of passengers and goods in the road transport:

- Unit for Freight Transport – five persons with university level of education and three persons with secondary level of education.
- Unit for Passenger Transport – three persons with university level of education and two persons with secondary level of education.
- Unit for Transport of Dangerous Goods where three persons with university level of education are employed.

The Ministry of the Interior is the competent authority for the implementation of matters related to the safety and control of the road transport. The structures in the Ministry of the Interior responsible for the safety of the road transport are the following: Sector for Traffic Matters; police stations and police units for road transport safety, that operate within the 8 Sectors for Interior, and the newly established Highway Transport Police, within the Central Police Services.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Law on Public Roads

With the aim of establishing a legal framework for the restructuring of the road sector according to the best practices of the European Union, the need is imposed to enact a new Law on Public Roads that shall fully regulate the relations in the road infrastructure with clearly defined competences and tasks of the institutions responsible for the road infrastructure.

The draft Law envisages transformation of the existing Fund for National and Regional Roads into an Agency for State Roads and the restructuring of the Public Enterprise "Makedonijapat".

In this direction, the solutions foreseen in the new Law shall overcome the existing deficiencies in the road sector and enable correct and full distinction of the competences of the individual institutions, establishment of competition in this area and abolishment of the monopolistic position of the existing public enterprise "Makedonijapat".

In the first half of 2008 a Decision on the amount, payment, record keeping and control over the fee paid for the use of public roads for motor vehicles and trailers shall be adopted.

Road transport safety

In the course of 2008 the Law amending the Law on Road Transport Safety shall be adopted. The amendments shall resolve the practical problems and dilemmas that arouse in the implementation of the existing Law.

In accordance with the adopted Action Plan for the adoption of EU regulations on tachographs, it is foreseen to adopt Rulebooks that shall regulate issues related to the use of the tachographs.

It is planned to adopt a National Programme for Road Transport Safety.

Market access

In order to fully regulate the relations in road transport with the countries of Europe, it is planned to sign Agreements for international transport of passengers and goods with the countries with which the Government of the Republic of Macedonia has not yet signed an agreement, those being:

- Agreement for International Road Transport with the Republic of Slovakia
- Agreement for International Road Transport with the Republic of Montenegro

INSTITUTIONAL FRAMEWORK

The completion of the legal framework regulating the relations in the field of road transport of passengers and goods started with the realisation of the activities linked to the organisation of exams for obtaining a professional competence certificate by the manager or a manager authorized person responsible for transport, as well as for the drivers participating in the international transport. These activities shall continue in 2008.

Every transport company in the Republic of Macedonia that meets the requirements stipulated in the Law on Road Transport and the bylaws deriving from it can apply for a license to perform certain types of road transport.

It is planned to elaborate a system for electronic application and award of schedules for transport of passengers.

In the course of 2008 the systematized organisational units in the field of transport within the Sectors for Interior, Ministry of the Interior shall be implemented.

It is planned to educate the personnel of the newly systematized positions in the field of transport, like: Commissioner for Road Transport Safety, safety inspectors, positions in the Unit for Prevention, commanders of police stations and police units for security, heads of the field investigation teams and traffic policemen from the technical group for traffic. During the education, the personnel shall be familiarized with the Procedures for action in different situations and events in traffic.

It is planned to strengthen the institutional capacity of the State Transport Inspectorate through Component I of the IPA Programme.

In order to strengthen the capacity of the institutions responsible for the implementation of legal regulations in the field of road transport, it is planned to employ new persons in the Ministry of Transport and Communications, Sector for Road Transport and Infrastructure, in the Ministry of Interior, Sector for Transport, and also in the State Transport Inspectorate. It is also planned to

organize training on inspection controls during transport of passengers and goods in road transport with the aim of strengthening the capacity of the State Transport Inspectorate.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Access to common transport market

In order to fully regulate the relations in road transport with the countries of Europe, the activities for signing Agreements on international transport of passengers and goods with the countries with which the Government of the Republic of Macedonia has not yet signed agreements shall continue for:

- Agreement for International Road Transport with the Kingdom of Sweden,
- Agreement for International Road Transport with the Czech Republic,
- Agreement for International Road Transport with the Republic of Portugal
- Agreement for International Road Transport with the Republic of Finland,
- Agreement for International Road Transport with the Republic of Lithuania,
- Agreement for International Road Transport with the Republic of Ireland,

INSTITUTIONAL FRAMEWORK

In order to further strengthen the capacity of the institutions responsible for the implementation of legal regulations in the field of road transport it is planned to employ new persons in the Ministry of Transport and Communications, Sector for Road Transport and Infrastructure, in the Ministry of the Interior, Sector for Transport and in the State Transport Inspectorate.

In the period 2009-2010 the Sector for Road Transport and Infrastructure shall be institutionally strengthened through organisation of TWINNING or other long term training programme and full harmonisation of the legal regulations.

3.14.2 RAIL TRANSPORT

CURRENT SITUATION

LEGAL FRAMEWORK

Legal acts

In the course of 2007 the following laws were adopted:

1. Law on Railways („Official Gazette of the Republic of Macedonia No. 64/05 and 24/07) regulates the organisation of the railway system, manner and requirements for carrying out railway transport, management, construction, reconstruction, service, maintenance and protection of the railway infrastructure, as well as access to it, the requirements for the issue of concession for construction of new or management of the whole or part of the railway infrastructure, financing of the railway infrastructure, providing services of public interests and supervision. The Law has been harmonised with the following directives: 319991L0440, 32001L0012, 320010013, 32001L0014, 32004L0049.
2. Law on Railway Transport Safety (Official Gazette of the Republic of Macedonia No. 40/07) regulates the requirements for safe, regular and uninterrupted railway transport on the whole territory of the Republic of Macedonia, through introduction and establishment of common safety indicators, common safety goals and common safety methods. The Law has been harmonised with the Directive 32002L0049.
3. Law on Contracts for Railway Transport (Official Gazette of the Republic of Macedonia No. 55/07) regulates the rights and obligations that derive from the contracts for transport of passengers and goods in the internal and international railway transport. The Law has been harmonised with the Convention on International Transport of Passengers and Goods (COTIF), which contains the rules of CIV for international transport of passengers by railways and CIM for international transport of goods by railways.

With the adoption of the bylaws on the manner of issuing and revoking of the permit for public transport of passengers and goods in railway transport and the decision on safety, the form and content of the form of the permit and the decision, the form, content and manner of keeping a registry of issued and revoked permits and decisions, as well as the amount of the compensation paid for the issue of the permit and decision on safety, from 1 January 2008, every interested railway transporter may apply for a permit to perform public transport and decision on safety, if and when the transporter meets the requirements stipulated by the Law on Railways (Official Gazette of the Republic of Macedonia No. 64/05 and 24/07).

Financing the railway infrastructure: In the Budget of the Ministry of Transport and Communications for 2007 resources have been provided in the amount of MKD 150,000,000 for investments in railway infrastructure. The Government of the Republic of Macedonia has adopted the Programme for Investments in Railway Infrastructure for 2007 (Official Gazette of the Republic of Macedonia No. 22/07, 88/07 and 120/07).

According to the Law on Railways, the Government of the Republic of Macedonia has adopted the National Programme for Railway Infrastructure for the period 2008-2012 and it has been submitted to the Assembly of the Republic of Macedonia for adoption.

INSTITUTIONAL FRAMEWORK

The process of transformation of PE Macedonian Railways:

The two new companies: Public Enterprise for Railway Infrastructure "Macedonian Railways" and "Macedonian Railways Transport" JSC have been registered in the Central Register of the Republic of Macedonia and have started to operate as two independent legal entities with separate accounts. Upon proposal of the Ministry of Finance, the Government of the Republic of Macedonia has adopted the concept for the restructuring of the railways debt at a sustainable level.

The Sector for Railways in the Ministry of Transport and Communications has been established and, among other duties, it shall have the role of a regulatory body (until the Agency is established) and body that shall issue permits for public transport and decision for safety of railway transporter, as well as permit and decision for management of the railway infrastructure. The Sector consists of two units: Unit for Railway Transport and Unit for Railway Infrastructure. According to the act on Systematisation of working posts, a total of 14 employed persons are foreseen. In the course of 2007, the Sector has been strengthened with the employment of three new civil servants. The total number of employees in the Sector amounts to 7 civil servants.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Law on Agency for Regulation of Railway Service Market (in parliamentary procedure) regulates the foundation, competences, organisation and working procedures and management of the Agency for Regulation of Railway Service Market, establishes the sources of funds to finance the work of the Agency and supervision over its work. According to the provisions of the Law, the Agency shall start operating on 1 January 2009. The Law is fully harmonised with articles 30 and 31 of the Directive 32001L0014.

In the course of 2008 their implementation shall start through the adoption of the relevant bylaws.

Enabling access to railway infrastructure:

Currently the Study for determining the compensation for access to railway infrastructure is being realised through the World Bank loan. After the procedure was finalised, according to the rules of the Bank, the consulting house SISTRA was selected to prepare the Study. The initial report has already been approved by the Committee of Technical Experts, and in the month of December the draft final report was distributed for review and adoption. The Study shall be finished by the end of the first quarter of 2008.

Determination of obligations related to services of public interest:

Currently the Study on Services of Public Interest in Railway Transport of Passengers is being prepared through the World Bank loan. After the procedure was finalised, according to the rules of the Bank, the consulting house SCOTT WILSON was selected to prepare the Study. The initial report has already been approved by the Committee of Technical Experts. The consultant has already delivered the draft final report and it is being reviewed by the Committee of Technical Experts and the management team of Macedonian Railways Transport JSC. The Study should be finished by the end of the first quarter of 2008.

According to the Law on Railways (Official Gazette of the Republic of Macedonia, No. 64/05, 24/07) in order to fulfill the public interest in railway transport of passengers in the Republic of Macedonia where the income generated from the provided transport services cannot cover the costs, as well as to increase the capability of the transporters in the railway transport of passengers to be competitive with the other types of transport, the Government of the Republic of Macedonia, upon proposal of the Minister of Transport and Communications, based on the obtained results from the Study, the latest by 30 June 2008, shall determine those services. For the provision of this service of public interest (transport of passengers by railway) in the areas of the units of local self government, the Councils of the units may determine these services, and inform the Ministry of Transport and Communications about it.

The allocation of resources for these activities is provided in the Budget of the Republic of Macedonia/Budgets of the LSGU, according to the following criteria:

- existence of public interest,
- accessibility of other types of transport,
- state policy regarding prices of tickets in railway transport of passengers and
- investment in safety of railway transport.

The Ministry of Transport and Communications, through public announcement according to the Law on Public Procurement shall select a transporter. The selected transporter shall sign a contract for a period of at least 5 years with the Government of the Republic of Macedonia or the Mayors of the municipalities, the Mayor of the city of Skopje. The contract shall provide the selected transporter with compensation of costs based on the calculations determined in the contract.

Railway Market Liberalisation:

The procedure for selection of a consulting house for the elaboration of the Study for Privatisation of the Transport Company is currently conducted through the World Bank loan. According to the foreseen dynamics the contract with the selected consultant is expected to be signed in the first half of 2008, whereas the engagement of the consultant shall be for 14 months upon the conclusion of the contract.

The Study on Privatisation of the Transport Company covers also the preparation of the tender documentation and the realisation of the whole procedure related to the sales of this company.

Reduction of the number of employees and costs:

The Study for reduction of the number of employees and costs is currently being prepared through the World Bank loan. After the procedure was conducted according to the rules of the World Bank, the consulting house SISTRA was selected to prepare the Study. The initial report has already been approved by the Committee of Technical Experts. The consultant has delivered the draft final report that is being reviewed by the Committee of Technical Experts and the management team of Macedonian Railways Transport JSC and PE Macedonian Railways Infrastructure. The Study should be finished by the end of the first quarter of 2008.

Upon completion of the Study for reduction of the number of employees and costs of the PE for railway infrastructure Macedonian Railways - Skopje and Macedonian Railways Transport, the procedure for reduction of the operating costs shall start.

Railway infrastructure financing: After the adoption of the Budget of Republic of Macedonia for 2008 by the Assembly of the Republic of Macedonia, according to article 48 paragraph (6) of the Law on Railways (Official Gazette of the Republic of Macedonia No. 64/05 and 24/07) the manager of the infrastructure in accordance with the Minister of Transport and Communications, shall prepare an Annual Plan for the construction, reconstruction, modernisation, overhaul and maintenance of the railway infrastructure in 2008.

According to article 48 paragraph (7) of the Law on Railways (Official Gazette of the Republic of Macedonia No. 64/05 and 24/07), for the realisation of the Annual Plan 2007 the Minister of Transport and Communications, based on the report of the infrastructure manager, shall submit a Annual Report for 2007 to the Government of Republic of Macedonia.

According to article 48 paragraph (2) of the Law on Railways (Official Gazette of the Republic of Macedonia No. 64/05 and 24/07), the Assembly shall adopt the National Programme for Railway Infrastructure for the period 2009-2013 upon proposal of the Government of Republic of Macedonia, after the adoption of the Fiscal Strategy of the Republic of Macedonia.

INSTITUTIONAL FRAMEWORK

It is planned to strengthen the Sector for Railways through new employments, technical equipment and organisation of trainings for the employees.

New employments in the Sector for Railways and the State Transport Inspectorate are planned in the course of the year 2008.

By the end of 2008, upon proposal of the Committee on Election and Appointment Issues of the Assembly of the Republic of Macedonia, the President and members of the Management Board of the Agency for Regulation of the Railway Services Market should be elected. The Management Board of the Agency shall appoint the Director of the Agency through public announcement.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Legal acts

In the course of 2009 and 2010, the necessary amendments in the legal regulations will be initiated in order to improve the operation of the railway system as a whole in the Republic of Macedonia, in accordance with the new directives or amendments to the existing directives of the European Union, as well as develop a combined transport in the Republic of Macedonia, having regard the realisation of the Study in 2008.

Access to railway infrastructure: The harmonisation and improvement of the system for the determination and collection of the compensation for access to the railway infrastructure shall continue through improvement of the already developed algorithm and if necessary amendments to the legal regulations.

Obligations related to services of public interest: The determination of the lines that shall be in the interest of the State to operate shall continue in order to provide resources from the Budget of the Republic of Macedonia/Budgets of the LSGU for 2010 and 2011 for the compensation of the costs.

Railway market liberalisation: The determination to attract foreign railway companies to operate on the territory of the Republic of Macedonia shall continue through the establishment of favourable conditions for the liberalisation of the market.

Railway infrastructure financing: After the adoption of the Budget of the Republic of Macedonia for 2009, in accordance with the Law on Railways (Official Gazette of the Republic of Macedonia, No 64/05 and 24/07), the manager of the infrastructure, in accordance with the Minister of Transport and Communications, shall prepare an Annual Plan for the construction, reconstruction, modernisation, overhaul and maintenance of the railway infrastructure for the year 2009.

In accordance with the Law on Railways (Official Gazette of the Republic of Macedonia, No 64/05 and 24/07) for the realisation of the Annual Plan 2008 the Minister of Transport and Communications, based on the report from the manager of the infrastructure, shall submit a report to the Government of the Republic of Macedonia.

The Assembly of the Republic of Macedonia shall also adopt a National Programme on Railway Infrastructure for the period 2010-2014, upon a proposal of the Government of the Republic of Macedonia, after the adoption of the Fiscal Strategy of the Republic of Macedonia.

INSTITUTIONAL FRAMEWORK

It is planned to strengthen the Sector for Railways through new employments, technical equipment and provision of training for the employees on following legal regulations in this area, as well as to strengthen the capacity of the State Transport Inspectorate.

It is also necessary to equip the Agency for Regulation of the Railway Services Market, according to the act on Systematisation of working posts.

Foreign assistance:

The World Bank Project for Reform of the Railway No.83499 is in the phase of implementation. The project has four components. In November 2007 the process of negotiations between the World Bank on one side and the Ministry of Finance and the two newly established companies PE Macedonian Railways Infrastructure and Macedonian Railways Transport JSC on the other finished for the signing of two Loan Agreements and a Guarantee Agreement, after the separation of the companies.

- Component 1: Technical assistance for restructuring, regulation and preparatory steps for the involvement of the private sector, as well as construction of the facilities and support in the implementation. Total value amounts to EUR 1,52 million.
- Component 2: Social component aimed to mitigate the social barriers. The total value amounts to EUR 0.65 million (EUR 0.4 million from the budget of the Republic of Macedonia as in-kind money, and EUR 0.25 million from the loan.)
- Component 3: Increasing the operational capacity of the MR Transport JSC-Skopje. The total value amounts to EUR 7,90 million.
- Component 4: Mechanisms for maintenance of the railway track and modernisation of the infrastructure for PE MR Infrastructure- Skopje. The total value amounts to EUR 5,25 million.

The project is planned to end by 2009.

3.14.3 INLAND WATERWAYS TRANSPORT

CURRENT SITUATION

LEGAL FRAMEWORK

The inland waterways navigation is conducted at the natural and artificial lakes in the Republic of Macedonia. There is no river navigation.

The safety of the inland waterways navigation is regulated by the Law on Inland Waterways Navigation (Official Gazette of the Republic of Macedonia No. 55/2007). The Resolution No. 24 from 15 November 1985 has been implemented in the Law and relates to the application of the CEVNI European rules for navigation in inland waterways and amendments to the text of CEVNI.

The Law on Inland Waterways Navigations regulates the inland waterways navigation in the Republic of Macedonia, the conditions and manner of use, maintenance, marking and protection of the navigation routes, ports, winter resorts, anchor places and bathing areas, the conditions that should be met by the vessels, the procedure for registration and de-registration of navigations facilities, action in case of navigation accident, rescue and retrieval of sunken vessels.

In 2007 the following bylaws were adopted, deriving from the Law on Inland Waterways Navigation:

- Rulebook on display and hoist of the flag (Official Gazette of the Republic of Macedonia No.156/07)
- Rulebook on the number and composition of the crew members for safe navigation of ships in internal waterways, depending on the propulsion machines (Official Gazette of the Republic of Macedonia No. 156/07)

- Rulebook on the manner and procedure for performing test drive for ships (Official Gazette of the Republic of Macedonia No. 156/07)
- Rulebook on the form and content of the identification card of the inspector for inland waterways navigation safety and the manner of issuing and revoking, form of the identification card of the inspectors. (Official Gazette of the Republic of Macedonia No.156/07)
- Rulebook on the type and demarcation of the bathing areas (Official Gazette of the Republic of Macedonia No. 156/07)
- Rulebook on the manner for carrying out diving (Official Gazette of the Republic of Macedonia No. 156/07)

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In this period, according to the authorisations provided in the Law on Inland Waterways Navigation, bylaws are going to be adopted to further regulate the inland waterways navigation. The rules, signals and signs for safe and regular inland waterways navigation, the form and content of the ship documents, books, ship diary and boarding permit, the form and content of the main ship registration ledger shall be more closely regulated and a plan and programme shall be determined, as well as the procedure related to the exam for acquisition of ranks and authorisation needed to perform inland waterways navigation activities. The equipment and construction of vessels shall be more closely prescribed, as well as the keeping the register. An act shall be adopted to fully regulate the manner in which the title - boat driver - is obtained and it shall also prescribe the programme and procedure for the exam, and regulate the conditions for sail in and stay of foreign vessels in the inland waterway navigation aimed for sport and recreation.

MEDIUM-TERM PRIORITIES

INSTITUTIONAL FRAMEWORK

It is planned to strengthen the capacities of the Port Authority with new employments in the period 2008-2010.

3.14.4 COMBINED TRANSPORT

CURRENT SITUATION

No legal acts have been adopted in the Republic of Macedonia that regulate the carrying out of combined transport, that is transport by use of at least two types of transport means. Nevertheless, one of the strategic directions in the transport sector is the development of combined transport, promoted by the National Transport Strategy of the Republic of Macedonia adopted in 2007.

SHORT TERM PRIORITIES

In cooperation with the private sector, the Republic of Macedonia shall promote and facilitate the construction of multimodal knots in Skopje, Strumica (Novo Selo), Bitola and Struga, on the basis of adequate comparative and feasibility studies.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

INSTITUTIONAL FRAMEWORK

FOREIGN ASISTANCE

3.14.5 AIR TRANSPORT

CURRENT SITUATION

LEGAL FRAMEWORK

Law on Aviation

The Law on Aviation (Official Gazette of the Republic of Macedonia No. 14/06) regulates the air transport in the Republic of Macedonia. The Law on Aviation is harmonised and provides implementation in practice of the international agreements of public legal character that the Republic of Macedonia has signed. With the Law amending the Law on Aviation (Official Gazette of the Republic Macedonia No. 24/07) the Civil Aviation Administration was transformed, the sources of financing for the new Agency for Civil Aviation were made more precise and harmonisation was made with the provisions of the Law on Misdemeanours and with the international regulations and standards.

Multilateral agreement for the establishment of a European Common Aviation Area (ECAA)

In February 2007 the Assembly of the Republic of Macedonia ratified the Multilateral Agreement for establishing the European Common Aviation Area (ECAA), (Official Gazette of the Republic of Macedonia No.27/07). Its goal is to create unified conditions for free market services in air transport and unified rules in the field of security, safety, air transport management, social sphere and protection of the environment on the whole territory of the European continent. The creation of a European Common Aviation Area

and the membership of the Republic of Macedonia in it implied respect of the EU aviation regulations and standards with the aim the Republic of Macedonia to create a more efficient, more adequate and more competitive transport system.

Bylaws of the Law on Aviation

The bylaws related to the new Law on Aviation are being prepared and some of them already adopted. In this context, eight Regulations and Directives of the EU have been transposed according to the obligations from the Agreement for European Common Aviation Area: 31989L0391, 32003L0088, 32000L0079, 31990L0314, 31992L0059, 31993L0013, 31995L0046 and 32003R2042.

STRATEGIC DOCUMENTS

National aviation policy of the Republic of Macedonia

In May, 2007 the Government of the Republic of Macedonia adopted the National Aviation Policy of the Republic of Macedonia, the main basis for the definition of the strategic goals and priorities of the Republic of Macedonia in the field of aviation.

National strategy for the development of aviation in the Republic of Macedonia

The National Strategy for Development of the Aviation was adopted by the Government of the Republic of Macedonia on 31 July, 2007. The Strategy provides directions for: modernisation and optimisation of the future organisational structure of the national aviation sector, fulfilment of the high international safety and security standards, improvement of the aviation infrastructure, sustainability of the environment in conditions of increased volume of air transport, management of the air space in accordance with the principle of Single European Sky, liberalisation of the air transport services, as well as measures for protection of the existing and new beneficiaries of services in the air transport of the Republic of Macedonia.

The period covered by the Strategy is 5 (five) years with a projection for the next 5 years. The Strategy shall be revised and updated twice a year in the first 5 years of the implementation and once a year after that.

INSTITUTIONAL FRAMEWORK

Ministry of Transport and Communications

A Sector for Air Transport has been established within the Ministry of Transport and Communications. According to the Rulebook on systematisation of working posts in the MTC, the SAT consists of 2 (two) units with a total of 10 (ten) employed civil servants. At the moment seven persons are employed in the Sector.

Agency for Civil Aviation

According to the Law on Aviation, the Agency for Civil Aviation is an independent state administration body with the capacity of a legal entity with regulatory function of an aviation authority.

Committee for Inspection of Accidents and Serious Incidents in Aviation

In September, 2006 the Committee for Inspection of Accidents and Serious Incidents was established. This Committee investigates accidents and serious incidents of aircrafts or parachutes in the air space of Republic of Macedonia and is independent in its work. It has a permanent member appointed by the Government of the Republic of Macedonia and variable composition of members, in case of an accident or serious incident of an aircraft or parachute, appointed by the Minister of Transport and Communications from the list of aviation experts, depending on the type of aircraft concerned.

Engagement of consulting team for the development of a study with concession model for the development of the airports "Alexander the Great- Skopje and St. Apostle Paul - Ohrid

In December 2007, the consulting company NACO B.V. from Netherlands developed a study on concession model for the development of the airport Alexander the Great- Skopje and the airport St. Apostle Paul – Ohrid that should provide directions for the development of the airports and the concession to be issued (or some other model of privatisation). The announcement of a public tender by the Ministry of Transport and Communications follows.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Laws

Law on Obligations and Material Legal Relations in Air Transport

Draft Law on Obligations and Property Law Relations in Air Transport with a Draft Law shall be submitted to the Government of the Republic of Macedonia in January, 2008. It is planned for the Law to be adopted by the Assembly of the Republic of Macedonia by April, 2008.

The adoption of this Law shall enable regulation of the private legal matter in the field of aviation linked to the contract for transport, i.e. air ticket for transport of passengers, responsibilities of the air transporters deriving from the contract for transport,

compensation of damages, insurance and similar. The Law shall be harmonised with the following EU measures: 31992R2409; 31997R2027; 32004R0261, 32005R2111, 32004R0785 and 31989R2299.

The Law on Obligations and Property Law Relations in Air Transport is harmonised and provides implementation in practice of the international agreements of private legal character to which the Republic of Macedonia is signatory, those being:

- Convention on International Recognition of Rights to Aircrafts, Geneva, 19.06.1948;
- Convention on equalisation of certain rules related to transport by air, Warsaw, 12.10.1929;
- Convention on equalisation of certain rules related to transport by air, Montreal, 28.05.1999 (Official Gazette of the Republic of Macedonia No.25/00)

Bylaws to the Law on Aviation

By the end of 2008 the remaining bylaws that shall derive from the Law on Aviation shall be adopted and the EU measures from the ECAA Agreement transposed.

It is planned to also adopt in the last quarter of 2008 the bylaws that regulate certain aspects of aviation and are based on the provisions of other laws.

INSTITUTIONAL FRAMEWORK

Transformation of the Agency for Civil Aviation

The transformation of the ACA is an obligation that derives from article 193 of the Law on Aviation. As a result of this, the sector in the ACA responsible for flight control shall be detached as a separate state owned Joint Stock Company, engaged in the activity of "providing services in aviation navigation." At the same time, the ACA shall retain the regulatory functions of the aviation authority in aviation. These reforms fully follow the recommendations of the European Union and the bases of the principles of Single European Sky that serves as basis for the establishment of the European Common Aviation Area (ECAA).

Currently in progress are the activities for assessment and determination of the principle equity of the new Joint Stock Company done by an independent assessor. After that, a special Committee for division of property established by the Government of Republic of Macedonia shall start work on the division of assets, property, rights and obligations between the ACA and the new Joint Stock Company. The whole process is expected to be finalised by March, 2008.

Staffing of the Sector for Air Transport

It is foreseen to strengthen the Sector for Air Transport through new employments, technical equipment and organisation of trainings for the employees in monitoring the legal regulations in this area. According to the Rulebook on systematisation of working posts of the MTC, it is necessary to employ more persons in the SAT.

Staffing of the Agency for Civil Aviation

It shall be necessary to strengthen the Agency with the following expertise: transport pilot with ATPL permit, commercial pilots with CPL permit, flight controllers, aviation technician for flight control, engineer for dangerous goods and transport engineer for reception and dispatch of passengers.

Transformation of the Public Enterprise for Airport Services "Makedonija" - Skopje

The transformation of the PEAS "Makedonija" – Skopje in state owned Joint Stock Company is an obligation that derives from article 196 of the Law on Aviation, and based on article 4 of the Law on Public Enterprises (Official Gazette of the Republic of Macedonia, No. 38/96, 40/03, 49/06 and 22/07). The activities for the establishment of the necessary preconditions are in progress. The whole process is expected to be finalised by February, 2008. The new Joint Stock Company shall perform the activity of managing the airport infrastructure (airport operator) and provide airport services.

Concession of the airport "Alexander the Great" – Skopje and airport "St. Apostle Paul" - Ohrid

Upon delivery of the Study, the Ministry of Transport and Communications shall announce a public tender to issue under concession the two airports. The tender shall consist of two phases, with pre-qualification. The announcement of the tender is expected to be in the course of February, 2008, and the contract is expected to be signed in June, 2008.

In the last quarter of 2008 it is planned to construct a new passenger servicing terminal at the airport "Alexander the Great" – Skopje with a modular structure for annual flow of up to 2.5 million passengers, construct a new building and cargo terminal, and upgrade the airport "Alexander the Great" – Skopje to the category of a take off-landing runway ILS CAT II (by ICAO).

Master plans for the airport "Alexander the Great" – Skopje and the airport "St. Apostle Paul" – Ohrid

According to the strategic priorities of the Republic of Macedonia, defined in the National Strategy for development of the aviation in the Republic of Macedonia, it is planned for the airport operator to prepare, by the end of September, 2008, the master plans for the airports in Skopje and Ohrid. They shall describe and map the concept for general development of the airports, including the

current and future use of the land, detailed urban and spatial planning, infrastructure, current flow of persons and goods and the volume of services. The master plans shall be adopted by the Government of the Republic of Macedonia, upon previous opinion of the MTC and ACA.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Laws

Law amending the Law on Aviation

Having regard the fact that the Republic of Macedonia has ratified the agreement for ECAA, there is no need to use the Stabilisation and Association Agreement to harmonise our legislation with the EU regulations, but by simply indicating the EU regulations in the Law on Aviation and they become bylaws.

With the aim of realizing the aforementioned, it is necessary to additionally amend the Law on Aviation where the basic bylaws shall be replaced with a reference to the EU regulations that are anyway part of our legal system according to the Agreement for ECAA.

INSTITUTIONAL FRAMEWORK

National coordinator for allocation of slots for take off and landing

According to article 84 paragraph 2 of the Law on Aviation, the Government of the Republic of Macedonia should adopt a bylaw that stipulates the nomination of an independent coordinator for the allocation of slots with the aim of harmonisation with the EU regulations.

The independent national coordinator for allocation of slots shall be appointed only if and when the circulation of passengers at the airport(s) goes above 1.000.000 at annual level and if and when a continuous lack of service capacity is registered. Up to then, the allocation of slots shall be done through the schedule facilitator.

Organisation of FABs and FUA

It is planned to finish, by the end of 2008, the reorganisation of the national air space in functional blocks (FABs), as well as to establish and maintain mechanisms for the coordination of the three strategic levels prescribed by the principle of flexible use of the air space (FUA).

FOREIGN ASSISTANCE

Realisation of the remaining activities under the Project "Technical Assistance for Transport and Management" (CARDS 2005)

The duration of the project has been extended to 15 March 2008, for full realisation of the project activities related to the strengthening of the capacities of the Ministry of Transport and Communications in the exercise of the competences in the field of aviation.

EASA – CARDS 2007-2008

As a continuation of the project CARDS, the Project "EASA – CARDS 2007-2008" shall be conducted to improve the safety in aviation and flight control led by the European Agency for Safety in Aviation. This project shall finish in December 2008.

3.14.6 MARITIME TRANSPORT

3.14.7 STATE AID

3.14.8 SATELLITE NAVIGATION

3.15 ENERGY

3.15.1 SECURITY OF SUPPLY

CURRENT SITUATION

LEGAL FRAMEWORK

By means of secure, reliable and qualitative supply of electricity, natural gas, thermal energy, geothermal energy, oil and oil derivatives to the consumers, the energy policy of the Republic of Macedonia is being enforced, pursuant to the *Law on Energy* (Official Gazette of Republic of Macedonia No. 63/2007 and 36/2007).

One of the basic principals of the *Treaty establishing the Energy Community* is improvement of the security of energy supply to consumers. On the basis of the signed Treaty establishing the Energy Community, the Republic of Macedonia has adopted the statements for secure energy supply to consumers.

The Ministry of Economy has published 2 international public announcements for issuing under concession on water for energy production from *small hydro power plants* and in doing so, 65 locations have been selected.

Presently, an ongoing international public announcement for the construction of *two hydro power plants* on *Crna Reka*, HPP “*Čebren*” and HPP “*Galište*” is taking place. The construction of the two hydro power plants is estimated for a time period of 8 years.

The Ministry of Economy has published an international public announcement for prequalification for the purpose of issuing under concession for the construction of HPP “*Boškov Most*”, whose construction will follow the BOT model (build, operate, transfer). The drafting process of the tendering documentation is ongoing.

In order to contribute towards a more rational, efficient and cost-effective work, and for the purpose of transposing the EU Directives in the area of oil and oil derivatives reserves, a need has emerged to amend the current concept of management of commodity reserves and to adopt a new Draft - *Law on Commodity Reserves* and a *new Draft - Law on Mandatory Reserves of Oil and Oil Derivatives* for the purpose of separating the oil and oil derivatives from the rest of the commodity reserves following the majority of EU countries.

The present stock of commodity reserves of oil derivatives are adequate for a consumption of 42 days calculated according to the average consumption in the previous year.

INSTITUTIONAL FRAMEWORK

The Government of the Republic of Macedonia, that is, the *Ministry of Economy* has the role of policy creator for the energy sector. The *Sector for Energy (Ministry of Economy)* consists of 8 full time employees and 3 employees contracted for a definite period of time.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

By the end of 2008, the *Strategy for Development of Energy in Republic of Macedonia* will be completed, so as to convey the energy policy of the Republic of Macedonia. The Strategy envisages the long-term development goals of certain energy activities in order to enable secure supply of different types of energy, as well as the sources and manner of provisioning the necessary quantities of energy and energy products.

During 2008, acting upon a proposal by the Ministry of Economy, the Government of Republic of Macedonia will adopt a Decree on the Criteria and Conditions for Crisis Alert, as well as the method of supplying certain types of energy, acting under these conditions, the rights and responsibilities of the license holders for performing energy activities in accordance with the Law on Crisis Management.

During the first half of 2008, the *Law on Mandatory Reserves of Oil and Oil Derivatives* is expected to be adopted. The essential change in the concept of managing the reserves of oil and oil derivatives lies in the manner of establishing and storage of the mandatory reserves of oil and oil derivatives, i.e. the establishing is feasible as a result of a fee charged in the fuel price and paid by the importers and producers of oil derivatives, unlike the current method of keeping storage financed out of the budget of the Republic of Macedonia.

Pursuant to the *Draft Law on Mandatory Reserves of Oil and Oil Derivatives*, for the purpose of managing the mandatory reserves of oil and oil derivatives, a *Directorate for Mandatory Reserves of Oil Derivatives* will be founded, as an independent body accountable to the Government of Republic of Macedonia.

The new concept, as a novelty, will enable storage of oil derivatives beyond the borders of the Republic of Macedonia, anywhere within the European Union, and in an attempt to adequately facilitate the reserve storage outside the native country, decisions for reserve storage outside the territory of the national borders will be adopted by the Government of the Republic of Macedonia, in accordance with the needs and safety arrangements of the country.

During 2008, selection of the best bidders for the construction of HPP “Čebren” and HPP “Gališta” as well as of HPP “Boškov Most” is to be expected, as well as the publishing of two international announcements for issuing under concession of water for energy production from 40 small hydro power plants.

Also, an international announcement will be published for the construction of a *Combined gas power generator “Energy” in Skopje*, as one of the greatest energy consumers in Republic of Macedonia, and the project for opening the coal mine Brod – Gneotino will proceed with its preparation.

INSTITUTIONAL FRAMEWORK

During 2008, new persons will be employed in the *Sector for Energy (Ministry of Economy)*, in the Unit for Investment Projects in the Area of Energy, in the Unit for Fossil Fuels, in the Unit for Power System and the Unit for Energy Efficiency and Renewable Energy Sources.

Further staffing is required for the *Commodity Reserves Bureau* (Ministry of Finance) with new employees.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

During 2009 and 2010, it has been foreseen to initiate several specific projects in the area of power and gas sector in order to strengthen the secure supply of energy for the Republic of Macedonia.

It has been foreseen to publish *international public announcements for issuing under concession of water for electricity production from small hydro power plants in 2009*.

INSTITUTIONAL FRAMEWORK

In order to contribute towards strengthening the Ministry capacity, new employments are planned in the Sector for Energy during 2009 and 2010.

In accordance with the Draft Law on Mandatory Reserves of Oil and Oil Derivatives, the *Directorate for Mandatory Reserves of Oil and Oil Derivatives* will be established as a result of the transformation of the present Commodity Reserves Bureau.

3.15.2 INTERNAL ENERGY MARKET

CURRENT SITUATION

LEGAL FRAMEWORK

By entering into force of the *Treaty establishing the Energy Community*, the Republic of Macedonia has undertaken a commitment to fully implement the provisions of Directive 2003/54/EC and Directive 2003/55/EC within one year, so as to allow all non-household consumers to select its supplier by 1 January 2008, and all consumers by 1 January 2015 in accordance with the envisaged market liberalisation timeframe. The Government of the Republic of Macedonia adopted the *Electricity and Natural Gas Action Plans* in July 2007 in order to fulfil the obligations of the Republic of Macedonia arising from the above mentioned Treaty.

The market of electricity, natural gas, thermal and geothermal energy and the market of oil and oil derivatives in the Republic of Macedonia are regulated by the Law on Energy (Official Gazette of Republic of Macedonia No. 63/06 and No. 36/07)

ELECTRICITY MARKET

The Energy Regulatory Commission:

- has issued 21 licenses for performing energy related activities within the electricity sector, out of which 9 licenses have been issued for energy related activities in the area of electricity trade by the end of November 2007;

- has adopted 9 decisions for declaring an eligible electricity consumer, consequently to which, the electricity consumers connected to the transmission network will become eligible electricity consumers starting as of 1 January 2008.

Pursuant to the *Rulebook amending the Rulebook on the Manner and Conditions for Regulating Prices of Electricity* (Official Gazette of the Republic of Macedonia No. 134/07), the initial regulated timeframe has been expanded, so the deadline is 31 December 2008.

MARKET OF NATURAL GAS

The Energy Regulatory Commission:

- adopted a Decision which entered into force on 1 January 2008 declaring JSC "The District Heating System of the City of Skopje" as eligible natural gas consumer;
- Issued 7 licenses for energy related activities in the natural gas sector, 4 of which for natural gas trade.

THERMAL AND GEOTHERMAL ENERGY

Energy Regulatory Commission (ERC) has issued 6 licenses for energy activities in the thermal energy sector and 3 licenses for energy related activities in the geothermal energy sector.

MARKET OF RAW OIL AND OIL DERIVATIVES

Energy Regulatory Commission has issued 10 licenses for energy related activities in the oil and oil derivatives sector.

Pursuant to the Methodology for establishing the prices for different oil derivatives stated in Annex D of the Agreement for buying and selling shares and for Concession of the Refinery JSC Okta – Skopje, the Energy Regulatory Commission shall adopt decisions on the maximum pricing for certain oil derivatives for each fortnight.

INSTITUTIONAL FRAMEWORK

The *Government of the Republic of Macedonia*, that is, the *Ministry of Economy* has the role of policy creator for the energy sector. The Sector for Energy includes a separate Unit for Power System consisting of 1 employee. The lack of human resources directly influences the intensity and quality of implementation of relevant policies.

The *Energy Regulatory Commission of Republic of Macedonia* is independent in its operation, and decision-making process within the regulations stipulated by the Law. The five members of the Energy Regulatory Commission, acting upon a Governmental proposal, will be appointed and dismissed by the Assembly of the Republic of Macedonia. The Assembly will also approve the budget of the Energy Regulatory Commission. The Energy Regulatory Commission of the Republic of Macedonia is responsible for monitoring the energy market and recommend appropriate measures for its proper functioning.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The Draft Law amending the Law on Energy is in parliamentary procedure and aims towards greater liberalisation of the electricity market of the Republic of Macedonia, in accordance with the EU Directives and the Treaty establishing the Energy Community. The proposed amendments will create an environment for greater competition in the area of electricity supply for the consumers in the Republic of Macedonia. Namely, the following will be enabled:

- consumers of electricity directly connected to the distribution network will be able to express their electricity requirements in the open market, that is become eligible consumers;
- exemption of the function of wholesale electricity supplier to tariff consumers;
- introduction of bilateral agreements among market participants;
- operators of transmission and distribution systems will cover network losses exceeding the quantities approved by the Energy Regulation Commission on the open market.

The Energy Regulatory Commission of Republic of Macedonia will approve the following bylaws in 2008, required for establishing the functional energy market:

- *Rulebook on Network Rules for Electricity Distribution* (EVN Macedonia JSC Skopje as an operator of the electricity distribution system has submitted a Preliminary Draft Network Rules for Electricity Distributions to the Energy Regulatory Commission; the draft was a subject to harmonisation in the second half of 2007;
- *Rulebook on Electricity Market Rules* (JSC METSO as operator of the electricity market will harmonise the Draft Network Electricity Rules);
- *Rulebook on Network Rules of Natural Gas Transmission* (the company JSC "GAMA" as a holder of the license for operation of natural gas transmission system has submitted a Preliminary Draft *Network Rules of Natural Gas Transmission* to the Energy Regulatory Commission undergoing a harmonisation procedure);

- *Rulebook on Network Rules for Distribution of Thermal Energy for Heating* (the company JSC "The District Heating System of the City of Skopje " as holder of the license for distribution of thermal energy has submitted a Preliminary Draft *Network Rules for Distribution of Thermal Energy for Heating* to the Energy Regulatory Commission undergoing a harmonisation procedure;
- *Rulebook on a tariff system for sale of electricity;*
- *Rulebook on electricity supply requirements;*
- *Rulebook on natural gas supply requirements;*
- *Rulebook on tariff system for sale of thermal energy to consumers connected to distribution network;*
- *Rulebook on thermal energy supply requirements;*
- *Rulebook on tariff system for sale of geothermal energy to consumers connected to the distribution network;*
- *Rulebook on geothermal energy supply requirements;*
- *Rulebook on manner and procedure for identification and approval of usage of feed-in tariffs for buying and selling of electricity produced in solar power generators;*
- *Rulebook on dispute resolution.*

The Energy Regulatory Commission of the Republic of Macedonia will harmonise and amend the Rulebook on the manner and conditions for regulating the prices of electricity ("Official Gazette of the Republic of Macedonia", No. 95/04) and the Rulebook on the conditions, manner and procedure for issuing, changing and revoking licences on performing activities in the energy sector ("Official Gazette of the Republic of Macedonia" No. 47/05) in 2008, in accordance with the new amendments to the Law on Energy and the new electricity market model.

INSTITUTIONAL FRAMEWORK

During 2008, new employments are foreseen in the Energy Regulatory Commission, in the Legal Department and the Economics Department.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In order to provide a safe and secure energy market operation in the Republic of Macedonia, the Energy Regulatory Commission of the Republic of Macedonia will adopt a Regulation on Energy Market Monitoring.

INSTITUTIONAL FRAMEWORK

In order to enable uninterrupted execution of the competencies of the Energy Regulatory Commission, it has been foreseen to strengthen the administrative capacity for monitoring the energy market.

FOREIGN ASSISTANCE

In the period following September 2007 to November 2007, USAID technical assistance was provided to the Energy Regulatory Commission of the Republic of Macedonia in regards to drafting the "Rulebook on dispute resolution" and "Code of Ethics of the Energy Regulatory Commission".

During the first half of 2008, technical assistance by the World Bank will be provided for the Energy Regulatory Commission of the Republic of Macedonia in regards to the harmonisation of the "Rulebook on the manner and conditions for regulating the prices of electricity" and the "Tariff system for sale of electricity" in accordance with the new model of the electricity market.

A Twinning project, financed by the Delegation of the European Commission in the Republic of Macedonia, intended for the Energy Regulatory Commission of Republic of Macedonia envisages technical assistance for drafting the "Rulebooks on quality of electricity and natural gas supply" and the "Methodology for pricing of electricity and thermal energy produced in cogeneration plants" in the period of 2009 – 2010, as well as technical assistance (software) to be implemented in the period 2008 – 2010.

3.15.3 STATE AID

CURRENT SITUATION

LEGAL FRAMEWORK

Integral part of the energy policy is also safe, reliable and qualitative supply of energy to consumers. In order to apply this concept, the Government of the Republic of Macedonia, in a situation of incidental economic instability of energy companies, may allocate state aid in accordance with the present legislation on this matter.

3.15.4 RENEWABLE ENERGY

CURRENT SITUATION

LEGAL FRAMEWORK

For the purpose of providing incentives and enabling greater utilisation of solar energy, the Government of the Republic of Macedonia, the Ministry of Economy, has fully implemented the stimulating measure of *subsidies for the initial 500 purchasers of thermal solar collection systems appropriately installed in their households*. In order to enforce this measure, MKD 9,000,000 from the budget of the Republic of Macedonia has been allocated; the initial 500 applicants were subsidised in the amount of MKD 8,000,000. This stimulating measure of the Government contributed to the increase in energy savings and positive environmental safety effect.

The Ministry of Economy, in accordance with the European Union legislation within the area of European standards for quality of liquid fuels, adopted the *Rulebook on the Quality of Liquid Fuels* (Official Gazette of the Republic of Macedonia No. 88/2007, 91/2007, 97/2007 105/2007, 157/2007 and 15/2008). The Rulebook introduces novelties concerning the qualitative features of liquid fuels and limitation values for liquid fuels which may be placed on the domestic market. The Rulebook regulates the introduction of two bio-fuels: bio-diesel and bio-ethanol as the most popular and most represented bio-fuels for transport, which mix with fossil diesel and petrol. The recommendation is for these fuels to be used for mixing, due to the fact that for utilisation of pure bio-fuels for transport, certain adaptation of motor vehicles will be required; this intervention seeks more time. The Rulebook transposed the following EU Directives: 99/32/EC, 93/12/EEC, 98/70/EC, 2000/71/EC, 2003/17/EC and 2003/30/EC.

In order to create possibilities for using or renewing the reserves of oil derivatives with quality not fully harmonised with the abovementioned standards and EU Directives, the Rulebook stipulates transitional periods. After the transitional period, only oil derivatives with quality in accordance with the abovementioned standards and relevant EU Directives may be present on the market.

The Ministry of Economy published a limited procurement announcement for consultancy services for drafting an *Analysis for Application of New Standards for Quality of Liquid Fuels*. This Analysis should result in identification of the procedure for controlling the quality and monitoring the quality of liquid fuels.

The Energy Regulatory Commission adopted the following bylaws: *Rulebook on the manner and procedure for identification and approval of utilisation of feed-in tariffs for buying and selling of electricity produced in small hydro power plants* (Official Gazette of the Republic of Macedonia No. 16/07) and the *Decision for identification of feed-in tariffs for buying and selling of electricity produced and delivered by small hydro power plants acquiring the status of a feed-in producer* (Official Gazette of the Republic of Macedonia No. 16/07). In accordance with the above mentioned Rulebook, the feed-in tariffs will be applied for electricity quantities delivered by the newly built small hydro power plants with an installed power of 10,000 kW acquiring the status of a feed-in producer.

The Energy Regulatory Commission adopted the following bylaws addressing the renewable energy sources: *Rulebook on the manner and procedure for identification and approval of utilisation of feed-in tariffs for buying and selling electricity produced by wind power generators* (Official Gazette of the Republic of Macedonia No. 61/07) and the *Decision on identification of feed-in tariff for buying and selling of electricity produced and delivered by wind power generators* (Official Gazette of the Republic of Macedonia No. 61/07); *Rulebook on the manner and procedure of identification and approval of utilisation of feed-in tariffs for buying and selling electricity produced by electricity plants using biogas generated from biomass as engine fuel* (Official Gazette of the Republic of Macedonia No. 142/07) and *Decision on identification of feed-in tariffs for buying and selling of electricity produced and delivered by the electricity plants using biogas generated from biomass as engine fuel* (Official Gazette of the Republic of Macedonia No. 143/07).

In accordance with the Decision on identification of feed-in tariffs for buying and selling of electricity produced and delivered by wind power plants (Official Gazette of the Republic of Macedonia No. 61/07), the feed-in tariffs for the sale of electricity produced and delivered by wind power plants will be 8.9 €cents/kWh.

INSTITUTIONAL FRAMEWORK

Within the Ministry of Economy, the *Sector for Energy* consists of four Units: Unit for Investment Projects in the Area of Energy, Unit for Power System, Unit for Fossil Fuels and Unit for Energy Efficiency and Renewable Energy Sources. The Sector consists of 8 full-time employees and 3 contracted employees for a definite period of time.

The *Energy Regulatory Commission* is independent in its operations and decision-making process within the scope of the Law. The Energy Regulatory Commission of the Republic of Macedonia is responsible for monitoring the energy market and proposing adequate measures for its functioning.

Pursuant to the Law on establishing an Agency for Energy of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 62/2005), the *Agency for Energy* is responsible for the development of medium-term and long-term strategies and development plans, preparation of long-term and short-term programmes for energy efficiency and utilisation of renewable energy sources, preparatory and coordination activities for implementation of investment projects. The Agency for Energy consisted of 5 employees in 2007.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The Strategy for Renewable Energy Sources (*Base study for renewable energy sources of the Republic of Macedonia*) is in its drafting stage and should be adopted in the first half of 2008. The Strategy defines the objectives for utilisation of the renewable energy sources and the manner in which those objectives are to be achieved. It especially focuses on the following: the potential of renewable energy sources, feasibility for utilisation of the potential of renewable energy sources, the defined scope and frequency for introducing consumption of renewable energy sources electricity in the overall energy balance, definition of the transition measures for supporting the process of utilisation of renewable energy sources by the means of feed-in tariffs for feed-in producers of electricity and other support measures.

Pursuant to the Law on Energy (Official Gazette of the Republic of Macedonia No. 63/06 and 36/2007), the Ministry of Economy will adopt a *Rulebook on utilisation of renewable energy sources*. This Rulebook will implement the Directive 2001/77/EC on the promotion of electricity produced from renewable energy sources.

The *Rulebook on issuing certificates of origin of electricity produced by renewable energy sources* will be adopted in the first half of 2008. The respective Rulebook will define the procedure for issuing and keeping the register of issued certificates of origin for electricity produced from renewable energy sources.

The Agency for Energy of the Republic of Macedonia will issue and keep the register of issued certificates of origin for electricity produced from renewable energy sources and of highly efficient combined plants in the Republic of Macedonia. Certificates of origin for electricity produced from renewable energy sources shall contain data on the producer, quantities of produced electricity, sources of energy for produced electricity, dates and location of production and in cases of hydro power plants will contain the installed power and other data.

Taking into account that currently a Law on Motor Vehicles is being prepared under the technical assistance of the German Society for Technical Cooperation (GTZ), the provisions of the Law on Energy, addressing the adoption of the technical specifications on motor vehicles, will be an integral part of the respective Law and will not be considered as a commitment to the Sector for Energy.

INSTITUTIONAL FRAMEWORK

During 2008, the *Ministry of Economy* plans to strengthen its capacity and train the staff concerning the introduction of renewable energy sources in the energy consumption of the Republic of Macedonia. In accordance with the existing systematisation, it has been foreseen to employ new persons in 2008 within the Unit for Energy Efficiency and Renewable Sources within the Sector for Energy.

The *Energy Regulatory Commission* plans to strengthen its capacity and train the staff for monitoring the energy market, resolving disputes, monitoring and fulfilling the responsibilities incurred by the issued licenses. For such purposes, the following has been envisaged: participation in international conferences organised by the EPPA, establishing bilateral cooperation with other regulatory agencies in the region and the EU, continuation of the cooperation within the Partnership Programme with the regulatory body from Vermont, USA.

The *Agency for Energy* plans to strengthen its capacity and train the staff concerning the introduction of renewable energy sources in the energy consumption of the Republic of Macedonia. During 2008, new persons will be employed in the Agency.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The Ministry of Economy should prepare a two year report on the realisation of the *Implementation Plan of the Strategy for Renewable Energy Sources* and on the progress achieved in the renewable energy sources as well as on the utilisation of bio-fuels in the transport sector.

Monitoring of the newly adopted Directives by the European Union concerning the stated matters and their transposition in the national legislation.

INSTITUTIONAL FRAMEWORK

During 2009 -2010, the *Ministry of Economy* plans to strengthen its capacity and train the staff concerning the introduction of renewable energy sources in the energy consumption of the Republic of Macedonia. In accordance with the existing systematisation of the Unit for Energy Efficiency and Renewable Sources within the Sector for Energy, new employments are foreseen in 2009.

The *Energy Regulatory Commission* plans to strengthen its capacity and train the staff for monitoring the energy market, resolving disputes, monitoring and fulfilling the obligations incurred by the issued licenses.

The *Agency for Energy* plans to strengthen its capacity and train the staff concerning the introduction of renewable energy sources in the energy consumption of the Republic of Macedonia. The Agency for Energy plans to employ new persons during 2009 and 2010.

FOREIGN ASSISTANCE

The Project "*Solar Water Heaters*" is being implemented by a EUR 300,000 grant provided by the Austrian Government, with a foreseen timeframe of three years, or starting in November 2005 and ending in October 2008. The main objective of this Project is significant improvement of the administrative and technical conditions concerning the advanced use of solar energy in the Republic of Macedonia. Thus far, numerous workshops and seminars for the Macedonian producers and the solar thermal system operators have been organised, in order to transfer the Austrian as well as the Greek experience in their high-quality production. Preparatory activities are ongoing for the establishment of the *Solar Test Laboratory* within the Hydro Meteorological Directorate..

3.15.5 ENERGY EFFICIENCY

CURRENT SITUATION

LEGAL FRAMEWORK

Ministry of Economy, the Sector for Energy, is currently negotiating with the Austrian Development Agency (ADA) which will secure funds to realise the *Programme for improving energy efficiency in construction facilities* to:

- strengthen the institutional capacities of the Agency for Energy related to the implementation of activities for energy efficiency in buildings,
- transpose the Directive 2002/91/EC on the energy performance of buildings and develop the required implementation tools, that is, drafting the Rulebook on energy efficiency of new and reconstruction of existing construction facilities,
- implement the Pilot Project for improving the energy efficiency in public building, and
- include the faculties in order to secure long-term sustainability of the Programme.

For the purpose of harmonisation with EU Directives, the Ministry of Economy adopted the *Rulebook on labelling household appliances form aspect of electricity consumption* (Official Gazette of the Republic of Macedonia No. 85/2007), transposing the following EU Directives: 2002/31/EC, 96/60/EC, 97/17/EK, 98/11/EC, 2002/40/EC, 95/13/EC, 95/12/EC, 96/89/EC and 94/2/EC.

The activities for selecting an Agency to create and implement the *Campaign for raising awareness and education - Save the electricity* are currently ongoing. The Ministry of Economy plans to realise the campaign in the first half of 2008.

During this period the Agency for Energy drafted the Rulebook on implementation of the *GEF Project for Sustainable Energy*.

INSTITUTIONAL FRAMEWORK

The Government of the Republic of Macedonia, that is, the *Ministry of Economy* has the role of policy creator for the energy sector. The *Sector for Energy*, Unit for Energy Efficiency and Renewable Energy Sources, currently employs three persons.

The *Energy Regulatory Commission* is responsible for monitoring the functioning of the energy market and recommending appropriate measures for it's functioning, and is also independent in its operations and decision-making within the scope of the Law on Energy.

The *Agency for Energy of the Republic of Macedonia* is responsible for preparation of medium-term and long-term strategies and development plans, preparation of long-term and short-term programmes for energy efficiency (EE) and for utilisation of renewable energy sources (RES), preparatory and coordination activities regarding the implementation of investment projects. The Agency for Energy had a staff of 1 director and 4 other employees in 2007.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

During 2008, it has been foreseen to update the existing *Strategy for energy efficiency of the Republic of Macedonia* from 2004.

For the purpose of achieving energy efficiency of new and reconstruction of existing construction facilities, and fulfilling the requirements and conditions concerning the manner for constructing new and reconstructing existing building facilities in regards to energy efficiency, it has been foreseen to adopt the *Rulebook on energy efficiency of new and reconstruction of existing construction facilities*. The preparation of this Rulebook is part of the Programme for Improving Energy Efficiency in Construction Facilities, financed by ADA.

The assessment of compliance with the requirements and conditions may be performed by an authorised legal person. The authorised legal person should hire at least one person with completed higher education in the area of energy, and at least five years of experience in the relevant sector, as well as have at its disposal adequate premises and equipment for performing these activities. The Minister responsible for the activities in the energy sector shall adopt a decision to authorise the legal person.

The authorised legal persons shall issue certificates which verify the compliance with the requirements for energy parameters of construction facilities in regards to energy efficiency.

Implementation of the Campaign for raising awareness and education – “Save the Electricity” is foreseen in the first half of the 2008.

INSTITUTIONAL FRAMEWORK

During 2008, the Ministry of Economy plans to strengthen its capacity and train the staff for monitoring the inclusion of renewable energy sources in the energy consumption in the Republic of Macedonia. In accordance with the existing systematisation, it has been foreseen to employ new persons in 2008 in the Unit for Energy Efficiency and Renewable Energy Sources within the Sector for Energy.

Energy Regulatory Commission plans to strengthen its capacity and train the staff for monitoring the energy market, resolving disputes, monitoring and fulfilling the obligations incurred by the issued licences. For that purpose, it has been foreseen to participate on International Conferences organised by EPPA, establish bilateral cooperation with other regulatory bodies in the region and in the EU, continue the cooperation within the Partnership Programme established with the regulatory body from Vermont, USA.

Agency for Energy plans to strengthen its capacity and train the staff for monitoring energy efficiency in the Republic of Macedonia. It has been foreseen to employ new persons in the Agency for Energy in 2008.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The Ministry of Economy should prepare a two year report on the realisation of the Programme for implementation of the Strategy for improving energy efficiency and on the progress achieved in the area of energy efficiency, as well as monitor the recently adopted Directives of the European Union concerning the relevant area and their transposition in the national legislation.

The remaining two components of the *Programme for improving energy efficiency in construction facilities* are as follows: implement the *Pilot Project for improving energy efficiency of construction facilities and introduction of curricula* in the Faculties of Mechanical Engineering, Civil Engineering and Architecture, in order to create engineering capacities.

INSTITUTIONAL FRAMEWORK

During 2009-2010, the *Ministry of Economy* plans to strengthen its capacity and train the staff for monitoring the inclusion of renewable energy sources in the energy consumption in the Republic of Macedonia. In accordance with the existing systematisation, it has been foreseen to employ new persons in 2009 in the Unit for Energy Efficiency and Renewable Energy Sources, within the Sector for Energy.

Energy Regulatory Commission plans to strengthen its capacity and train the staff for monitoring the energy market, resolving disputes, monitoring and fulfilling the obligations incurred by the issued licences.

Agency for Energy plans to strengthen its capacity and train the staff for monitoring the energy efficiency in the Republic of Macedonia. The Agency for Energy plans to employ new persons in 2009 and 2010.

FOREIGN ASSISTANCE

The Agreement for receiving a USD 5,500,000 grant to implement the *GEF Project for Sustainable Energy* was signed on 26 February 2007 and it will be utilised for:

1. Technical assistance for preparation of bylaws in the area of EE and RES, and preparation of projects for energy efficiency and renewable energy sources, which will be implemented by the Agency for Energy, using USD 1,000,000 of the GEF funding;
2. Financial assistance for establishing and operation of an ESCO – Energy Service Company, that is, service company which primary task will be to assist the public institutions in their efforts to reduce energy consumption, implemented by JSC METSO and JSC District Heating System of the City of Skopje, using USD 800,000 of the GEF funding; and
3. Introduction of financial mechanisms to implement projects for energy efficiency (EE) and renewable energy sources (RES), which will be financed by the MBDP, using USD 3,700,000 of the GEF funding.

The grant became effective on the 1 August 2007. The project duration is until April 2011, with a possible four year extension. The Steering Committee of the GEF Project was formed on 24 October 2007, and it is expected to hold its first working meeting in near future.

The general objective of the *Programme for improving energy efficiency in construction facilities* is to reduce energy consumption in buildings by 20% to 30%. The Programme is financed by the Austrian Development Agency (ADA) and is in its preparatory stage, whereas the implementation timeframe is from 2008 to 2011. The Programme is comprised from the following four components:

Component 1: Strengthen the capacities of the Agency for Energy of the Republic of Macedonia;

Component 2: Transpose the Directive 2002/91/EC on the energy performance of buildings and develop the required implementation tools, as well as draft the *"Rulebook on energy efficiency of new and reconstruction of existing construction facilities"*;

Component 3: Implement the *Pilot Project for improving the energy efficiency in public construction facilities*; and

Component 4: Include the faculties in order to secure long-term sustainability of the Programme.

The training for the employees of the Agency for Energy of the Republic of Macedonia will be fully covered in the first component of the Programme. The second component is directly related to the intentions of the Government of the Republic of Macedonia to prepare the *Rulebook on energy efficiency for new and reconstruction of existing construction facilities* (passport for energy efficiency) with the technical assistance from the Austrian Agency for Energy. The third component is particularly significant as it will provide identification, evaluation and financing of a specific pilot project for increasing energy efficiency in the buildings.

3.15.6 NUCLEAR ENERGY

CURRENT SITUATION

LEGAL FRAMEWORK

Presently, the Government has no plans, nor has made declarations for using nuclear energy, excluding the use of radioisotopes for medicinal and industrial purposes. There are no nuclear reactors in the Republic of Macedonia, neither for research, nor production of energy, so nuclear fuel is not used, and consequently, there is no import of nuclear fuel.

Pursuant to the existing legislation of the Republic of Macedonia, no authorisations have been issued for procurement, possession or sales of nuclear material and no authorisations have been issued for physical handling of nuclear material.

There are no ongoing research activities in the area of nuclear energy in the Republic of Macedonia, there are no reactors for research purposes and no plans have been made to build them, so nuclear fuel for research purposes is not used.

Republic of Macedonia is not a member of the OECD Nuclear Energy Agency, and thus far does not have any intentions to become one.

Pursuant to the existing legislation of the Republic of Macedonia, there are no provisions for import, export and trade of nuclear equipment, materials, new or spent nuclear fuel. Republic of Macedonia does not dispose with existing capacities for storing nuclear waste, nor is planning to store such waste in the future.

Republic of Macedonia has not signed international agreements or conventions for cooperation in the area of nuclear energy.

3.15.7 NUCLEAR SAFETY AND RADIATION PROTECTION

CURRENT SITUATION

LEGAL FRAMEWORK

The Radiation Safety Directorate (RSD), established in accordance with the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of the Republic of Macedonia No. 48/02), is responsible for licensing and issuing permits for legal entities and persons to operate with ionising radiation sources, managing the National Register of Ionising Radiation Sources, record

keeping and controlling the overall nuclear material in the Republic of Macedonia. At the same time, RSD is responsible to act in cases of radiation emergency, as well as adopt bylaws envisaged with the Law and inspect its implementation.

Pursuant to the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of the Republic of Macedonia No. 48/02), the *Rulebook on determining the expenses for issuing permits* (Official Gazette of the Republic of Macedonia No. 19/07) was adopted in 2007.

Pursuant to the *Law amending the Law on Ionising Radiation Protection and Radiation Safety* (Official Gazette of the Republic of Macedonia No. 135/07), the *Radiation Safety Commission* was established in December 2007. It represents an advisory body for certain issues in the area of ionising radiation protection and preparation of proposals and solutions within its competence. Said amendments define the competencies of the Commission and the selection of Radiation Safety Commission members.

Pursuant to the Law amending the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of the Republic of Macedonia No. 135/07), and for the purpose of providing proper and independent operation of the Radiation Safety Directorate, it has been foreseen to adopt 21 bylaws which will regulate the areas of radiation protection and safe use of ionising radiation sources.

During 2007, the Radiation Safety Directorate of the Republic of Macedonia signed a *Memorandum of Cooperation with the Customs Administration – Ministry of Finance, Ministry of Interior and the Food Directorate – Ministry of Health and other administrative bodies*.

For the purpose of signing a *Memorandum of cooperation with relevant international institution*, the Radiation Safety Directorate conducted two regional meetings in Zagreb and Belgrade with representatives from Republic of Slovenia, Republic of Croatia, Republic of Bosnia and Herzegovina, Republic of Montenegro and Republic of Serbia in 2007. Further cooperation activities were arranged, whereas the particulars will be specified in the Memorandum of Cooperation.

The National Register of Ionising Radiation Sources is regularly updated with the introduction of an electronic records management system of ionising radiation sources and users.

Active support is provided for the activity of *constructing a storehouse for low and medium active radioactive waste* within the MAK/4/002 Project "*Management and storage of low and medium active radioactive waste*", financed by the International Atomic Energy Agency (IAEA). The construction of a storehouse for low and medium active radioactive waste will provide compliance with one of the conditions stipulated in Article 103 of the Stabilisation and Association Agreement of the Republic of Macedonia. The Project is a donation of equipment and training for the staff who should work in this facility.

The Ministry of Environment and Physical Planning (MEPP) is responsible for the project implementation. In that context and for the purpose of continuing the project, several meetings with representatives from the Ministry of Environment and Physical Planning were carried out. At the 51st General Conference of the International Atomic Energy Agency (IAEA), the Director of the Radiation Safety Directorate personally requested to transfer the 2007 Project funds to 2008 in order to implement it. The Radiation Safety Directorate is presently looking for a storehouse location.

INSTITUTIONAL FRAMEWORK

The activity for operationalisation and strengthening the capacities of the Radiation Safety Directorate was completed during 2007. The Radiation Safety Directorate is currently set up in newly adapted premises, provided by the Government of the Republic of Macedonia.

Funds for five new employees were approved in 2007: 2 radiation safety inspectors; 1 head of human resources, legal, administrative and financing issues; 1 junior associate for IT and 1 junior associate for technical and operational support, however, the process of their employment should be completed in January 2008.

The International Atomic Energy Agency (IAEA) has donated equipment and instruments for detecting radiation. Republic of Macedonia has also received equipment donation from the Embassy of the USA in the Republic of Macedonia.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Radiation Safety Directorate will propose a location for building the storehouse in cooperation with the Ministry of Environment and Physical Planning. The proposal will be submitted to the Government of the Republic of Macedonia. The storehouse construction

falls under the competency of the Government of the Republic of Macedonia and the Ministry of Environment and Physical Planning, as the beneficiary of the MAK/4/002 Project "Management and storage of low and medium active radioactive waste".

Pursuant to the Law amending the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of the R. of Macedonia No. 135/07), it has been foreseen to adopt bylaws in the area of radiation safety in 2008, for the purpose of achieving complete harmonisation with the European legislation and independent operation of the Radiation Safety Directorate, as well as receive the necessary support from the Secretariat for European Affairs, the Legislative Secretariat and the Republic Institute for Health Protection.

In line with signing the *Memorandum of cooperation with relevant international institutions*, and for the purpose of proper and independent operation of the Radiation Safety Directorate, it plans to carry out additional activities and meetings.

INSTITUTIONAL FRAMEWORK

In 2008, new employments have been foreseen in the Radiation Safety Directorate of the Republic of Macedonia.

Radiation Safety Directorate lacks vehicles and needs to procure them in order to become fully operational.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

After constructing the storehouse for low and medium active radioactive waste as a main priority, RSD will move forward with the implementation of the activity for *"disassembling and safe storage of radioactive arrestors"* during 2009 and 2010.

The Radiation Safety Directorate will implement the activities arising from signing the Memoranda of cooperation with institutions in the Republic of Macedonia and the Memorandum of cooperation with relevant international institutions.

In order to enhance the protection of the population in the Republic of Macedonia, the Radiation Safety Directorate will prepare a *Plan for protecting the population from the hazardous impact of ionising radiation in the Republic of Macedonia*.

Pursuant to the Law amending the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of the Republic of Macedonia No. 135/07), that is, Article 26-e, it has been foreseen to adopt bylaws in the area of radiation safety. It has been foreseen to adopt the Rulebooks by the end of 2009.

INSTITUTIONAL FRAMEWORK

The Radiation Safety Directorate of the Republic of Macedonia plans to strengthen its capacities by employing new persons in 2009 and 2010.

3.16 TAXATION

3.16.1 INDIRECT TAXATION

Legal Framework on VAT

Taxation of the consumption of goods and services in the Republic of Macedonia is regulated with the Law on Value Added Tax (Official Gazette of the Republic of Macedonia No. 44/99, 59/99, 86/99, 11/2000, 8/2001, 21/2003, 19/2004, 33/2006, 101/2006 and 114/2007). This Law, as a basic legal act, regulates the calculation and payment of the value added tax when selling goods and services, performed with compensation in the country paid by the taxpayer in the country within the frames of his/her business activity, as well as when importing goods.

Institutional Framework on VAT

Pursuant to the Law on VAT, the institutions authorised for its implementation are the Ministry of Finance, the Public Revenue Office and the Customs Administration.

Current Situation Regarding VAT

The Law on Value Added Tax in the Republic of Macedonia has been applied since 1 April 2000, and it transposes to a large extent the requirements of the EU legislation on VAT, as follows:

1. Sixth (systemic) Council Directive 31977L0388 on the harmonisation of the laws of the Member States relating to turnover taxes – Common system of value added tax: uniform basis of assessment, and
2. Thirteenth Council Directive 31986L0560 on the harmonisation of the laws of the Member States relating to turnover taxes – Arrangements for the refund of value added tax to taxable persons not established in Community territory.

Regarding the level and number of applied tax rates, the Law on VAT corresponds to what is provided for in the EU Directives, because two tax rates are applied in the Republic of Macedonia: general tax rate of 18% and preferential tax rate of 5%.

Harmonisation has also been achieved in the area of tax treatment of investment goods with an accepted solution, with which the equipment intended for production of goods and services which are subject to taxation, and real estate necessary for performing the activity, are fully exempt from tax.

In accordance to EU legal acts, the Law on VAT regulates the place of selling, the time of occurrence of tax liability, the administrative obligations, the stipulation of special taxation schemes applicable to tour-operators, the tax refund, etc.

During the third quarter of 2007 the Law Amending the Law on Value Added Tax was adopted, which reduces the VAT rate from 18% to 5% for the following goods and services: (1) pharmaceuticals and medical aides, (2) computers and computer software, (3) thermal solar systems and components, and (4) transportation of persons and their luggage. Also, to the end of encouraging and opening the development perspectives and agriculture promotion, in the fourth quarter of 2006 the tax rate was reduced from 18% to 5% for a certain group of goods being basic inputs to the agricultural production. Regarding these changes, it should be taken into account that Annex 3 of the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax, provides an opportunity for Member States to apply a preferential tax rate for certain groups of products. Taking this into account, an exception is the introduction of the preferential rate of 5% to agricultural machines, which was introduced to stimulate the procurement of new and renewal of the old machinery, all to the end of reviving and increasing the agricultural production for which there are favourable natural conditions in this country. Still, regarding this amendment to the Law, it should be taken into account that it is of interim character, i.e. a preferential rate of 5% for agricultural machines will apply until 30 June 2010 and the preferential rate for computers and computer software, as well as the preferential rate for the thermal solar systems and their components will apply until 31 December 2012.

SHORT-TERM PRIORITIES FOR VAT

During 2008, the analysing of parts of the EU Directives which are not harmonised with the value added tax system will continue. In the first quarter of 2008 amendments to the Law on Value Added Tax are envisaged.

MEDIUM-TERM PRIORITIES FOR VAT

In the period 2009-2010, a continuous and intensive process of analysing and harmonising the legislation with the provisions in the EU Directives will follow, taking into account the expert assistance in this area that would result in amendments to the existing Law on Value Added Tax, which would be implemented after accession into the EU.

The harmonisation process will especially be aimed at:

- Application of VAT when supplying goods and services within the Community between taxpayers registered for VAT purposes in different countries, and application of tax exemptions there under, as well as the treatment of acquiring goods and services from Macedonian VAT taxpayers from other Community Member States.

- Introduction of “special taxation procedures”, by introducing special taxation schemes for: “investment gold”, as well as for “used goods, works of art, collections and antiques”.
- Incorporation of provisions on supply of services carried out electronically.
- Harmonisation in terms of the application of the provisions in the Law on VAT in the free zones.
- Prescribing and preparing all forms, including VAT tax declaration, as well as periodic reports in which the Macedonian taxpayer registered for VAT purposes need to report the sales they have carried out towards VAT taxpayers from other EU Member States, at the same time stipulating the other administrative obligations.

The following EU acts will be taken into consideration in the process of harmonisation of the legislation in the field of VAT:

- Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax and all its amendments;
- Council Directive 31969L0169 on the harmonisation of provisions laid down by law, regulation or administrative action relating to exemption from turnover tax and excise duty on imports in international travel and all its amendments;
- Eighth Council Directive 31979L1072 (Eighth Council Directive 79/1072/EEC of 6 December 1979, with all its amendments, on the harmonisation of the laws of the Member States relating to turnover taxes – Arrangements for the refund of value added tax to taxable persons not established in the territory of the country);
- Thirteenth Council Directive 31986L0560, (Thirteenth Council Directive 86/560/EEC of 17 November 1986 on the harmonisation of the laws of the Member States relating to turnover taxes – Arrangements for the refund of value added tax to taxable persons not established in Community territory);
- Council Directive 31983L0181 (83/181/EEC) with all amendments, determining the scope of Article 14 (1) (d) of Directive 31977L0388 as regards exemption from value added tax on the final importation of certain goods;
- Council Regulation No. 1777/2005 laying down implementing measures for Directive 77/388/EEC on the common system of value added tax.

Legal Framework for Excises

The Law on Excises (Official Gazette of the Republic of Macedonia No. 32/01, 50/01, 52/01, 45/02, 98/02, 24/03, 96/04 and 38/05) is the basic legal act that regulates excises collected directly or indirectly for consumption on the territory of the Republic of Macedonia, as follows: mineral oils, alcohol and alcoholic beverages, tobacco commodities and passenger cars, and it contains provisions on taxation, excise preferences, excise exemptions, administrative obligations, registries, legal protection and penal provisions.

Institutional Framework for Excises

Pursuant to the Law on Excises, the institutions authorised for its implementation are the Ministry of Finance, the Public Revenue Office and the Customs Administration.

Current Situation Regarding Excises

The Law on Excises is to a large extent harmonised with the EU Systemic Directive, as well as with all its accompanying structural directives separately for each category of goods, subject to excise taxation.

The change of the regime of taxation with excise on tobacco products ended the discrimination regarding cigarettes of domestic production and of import as from 1 January 2007. With regard to the excise rates on tobacco goods, until the start of the negotiations for accession into the EU, the Republic of Macedonia will need a transition period for applying the minimum rates envisaged in the EU acquis. This is to the end of mitigating the price shock for the population and adapting the domestic enterprises to the competitive conditions of running business.

SHORT-TERM PRIORITIES FOR EXCISES

During 2008, the analysing of parts of the EU Directives which are not harmonised with the excise system will continue.

MEDIUM-TERM PRIORITIES FOR EXCISES

A continuous and intensive process of analysing and harmonising the legislation with the provisions in the EU Directives will be carried out in the period 2009-2010, which refer precisely to the excise system.

Analysis, harmonisation and incorporation will be made of the provisions from the Council Directive on the general arrangements for products subject to excise duty and on the holding, movement and monitoring of such products (31992L0012 and all its amendments), in particular the provisions on excise warehousing, in order to implement the intra-Community suspension regime.

At the same time, analysis, harmonisation and incorporation of the provisions of the Directive restructuring the Community framework for the taxation of energy products and electricity (32003L0096) will be made, as well as harmonisation of the excise rates on the tobacco products (31992L0079, 31992L0080 and 31995L0059) and alcoholic beverages (31992L0083 and 31992L0084) with the minimum level of excises prescribed in the Directives. Since the incorporation of the provisions from these directives will have significant implications on the retail prices of energy products and electricity, as well as on the cigarettes, the Republic of Macedonia will need a transitional period in order to mitigate the price impact on the citizens. All modifications to the

Law on Excises will be implemented when the Republic of Macedonia becomes an EU Member State.

FOREIGN ASSISTANCE FOR INDIRECT TAXATION

In the area of indirect taxation, despite the fact that the EU report states that it is well harmonised, the working group for taxation received technical assistance from the GTZ (German Society for Technical Cooperation) as a result of the signed protocol for financial and technical cooperation between the Government of the Republic of Macedonia and the Government of Germany (May 2007) for further harmonisation of the Law on Value Added Tax and the Law on Excises with the EU Directives and an additional check by the German experts of the Law on Tax Procedures. The total project duration is two years and three months. The first workshop was held on 11 December 2007 on which an action plan was prepared for the next six months. For successful realisation of the project it is envisaged to prepare an action plan every six months and to establish working groups that would work on certain tax issues.

The planned financial value of this project is EUR 300,000 with the possibility for a correction, if necessary, in the upcoming period.

3.16.2 DIRECT TAXATION

Legal Framework for Profit Tax

The Law on Profit Tax (Official Gazette of the Republic of Macedonia No. 80/93, 33/95, 43/95, 71/96, 5/97, 28/98, 11/01, 2/02, 44/02, 51/03, 120/05 and 139/2006) regulates the manner of taxation of the profit realised by legal entities, residents and non-residents in the Republic of Macedonia.

Institutional Framework for Profit Tax

Pursuant to the Law on Profit Tax, the institutions authorised for its implementation are the Ministry of Finance and the Public Revenue Office.

Current Situation for Profit Tax

The Law on Profit Tax defines the following: taxpayer, tax base, expenses recognised as expenditure in the tax balance which influence the amount of profit realised, tax treatment of the capital revenues and of capital gains and losses, withholding of income tax paid to foreign legal entities, tax exemptions and relieves, avoidance of double taxation, calculation and collection of profit tax, tax period and penal provisions.

In order to improve the investment climate in the Republic of Macedonia, i.e. to encourage and stimulate foreign and domestic investors in the country, the Law Amending the Law on Profit Tax was adopted at the end of 2006, introducing flat tax, i.e. a 12% rate is applied from 1 January 2007 and 10% from 1 January 2008.

With respect to withholding income tax paid by foreign legal entities, amendments were made to the Law on Profit Tax, envisaging reduction of certain types of income subject to taxation with this type of tax. Such income includes the following: income realised on the basis of renting movable and immovable property, income in the form of prizes awarded at competitions in the Republic of Macedonia, as well as income on the basis of technical, administrative and other services. These amendments apply as from 1 January 2008. This is the first step of harmonisation of withholding tax within the frames of the Law on Profit Tax.

SHORT-TERM PRIORITIES FOR PROFIT TAX

During 2008, EU Directives that specifically refer to the profit tax system will continue to be analysed.

MEDIUM-TERM PRIORITIES FOR PROFIT TAX

The process of harmonisation of the Law on Profit Tax with the EU directives will continue in the period 2009-2010. Subject to harmonisation will be the provisions of the directives pertaining to the following: the common system of taxation applicable to mergers, division, transfers of assets and exchanges of shares concerning companies from different Member States (31990L0434), the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (31990L0435), collection of charges on contributions of capital to capital companies (31969L0335) and the common system of taxation applicable to interest and royalty payments made between associated companies of different Member States (32003L0049).

In addition, arbitrary procedures for prevention of double taxation relating to profits among associated companies of different Member States will also be introduced.

The new Law on Profit Tax will also be harmonised with the principles of the Code of Conduct for Taxation of Companies to the end of realising the priorities under the Accession Partnership, and the Merger Directive will be transposed in terms of elimination of obstacles to cross-border business restructuring.

Legal Framework for Personal Income Tax

The Law on Personal Income Tax (Official Gazette of the Republic of Macedonia No. 80/93, 3/94, 70/94, 71/96, 28/97, 8/01, 50/01,

52/01, 2/02, 44/02, 96/04, 120/05, 52/2006 и 139/2006), fully regulates the taxation of annual income of natural persons, realised as a sum of net revenues from all sources, as follows: personal incomes, income from agricultural activity, income from independent activity, income from property and property rights, income from copyrights and industrial property rights, capital revenues, capital gains, gains from games of chance and other premium games and other revenues. Besides the taxable incomes, the Law also regulates the incomes that are exempt from tax, the taxpayer, tax base, tax rates, manner of calculation and collection of the personal income tax, the complaint procedure, re-opening of the procedure and penal provisions.

Institutional Framework for Personal Income Tax

Pursuant to the Law on Personal Income Tax, the institutions authorised for its implementation are the Ministry of Finance and the Public Revenue Office.

Current Situation Regarding Personal Income Tax

At the end of 2006, to the end of creating conditions for economic prosperity of the country, more radical reduction of unemployment and attracting foreign investments, the Law Amending the Law on Personal Income Tax was adopted, with which flat tax was introduced, thus the existing personal income tax rates of 15%, 18% and 24% were replaced with a single tax rate of 12% in 2007, and a tax rate of 10% applicable from 1 January 2008.

SHORT-TERM PRIORITIES FOR PERSONAL INCOME TAX

In the course of 2008, the EU directives pertaining to the personal income tax system will be continuously analysed.

MEDIUM-TERM PRIORITIES FOR THE PERSONAL INCOME TAX

The process of harmonisation of the Law on Personal Income Tax with the EU directives and recommendations will continue in the period 2009-2010. The legal regulations will incorporate the directives and recommendations in this area - Directive on the common system of taxation applicable to mergers, divisions, partial divisions, transfer of assets and exchanges of shares concerning companies from different Member States (31990L0434), in the part pertaining to the taxation of shareholders, i.e. dealing with the area of income of natural persons, as well as the Recommendation (93/79 EU) on the taxation of certain items of income received by non-residents in a Member State (different) other than that whose residents they are, and the Recommendation (94/390 EC) concerning the taxation of small and medium-sized enterprises, the provisions of which refer to natural persons - performers of independent activity, who are taxpayers of personal income tax.

The realisation of these measures will be carried out through special projects and engagement of foreign consultants from the Member States, in order to create conditions for incorporation and implementation of the new solutions coordinated with Directive (32003L0048) on taxation of savings income in the form of interest payments.

The harmonisation with the Directive concerning the income in the form of interest payments is of special importance to this Law. The main purpose of this Directive is confirmation that the savings income in the form of paying interests (from denar deposits with banks, debentures and other financial claims), paid in the Member State of a natural person who is a resident of another Member State, is successfully taxed in accordance with the legislation of the latter Member State, i.e. the state of which the natural person is a resident. Having in mind the abovementioned purpose for several Member States is a certain mechanism for automatic exchange of information on the interest rates of the natural persons among the Member States regarding their residents. To that end, and in accordance with the Directive on mutual assistance by the competent authorities of the Member States responsible for direct taxation, certain kinds of excise duties and taxation of insurance premiums, the Republic of Macedonia, following the harmonisation of the national legislation with the EU directives, should apply the conditions for automatic exchange of information regarding interest payments and other incomes of natural persons, subject to taxation in accordance with the personal income tax.

FOREIGN ASSISTANCE REGARDING DIRECT TAXES

To the end of determining the deviations of the Law on Profit Tax and the Law on Personal Income Tax with respect to the EU Directives, technical assistance within IPA – Component 1 is envisaged at the end of 2008.

3.16.3 ADMINISTRATIVE COOPERATION AND MUTUAL ASSISTANCE

CURRENT SITUATION

LEGAL FRAMEWORK

Harmonisation of the legislation regarding mutual assistance for direct taxation (31977L0799, amending Directive 1070/EEC of 6 December 1979) is carried out through the Agreements on Avoidance of Double Taxation concluded between the Republic of Macedonia and the EU Member States.

The Republic of Macedonia has concluded 29 Agreements for Avoidance of Double Taxation, 19 out of which with the EU Member States, and Agreements concluded with Germany, Latvia and Great Britain are applied from 1 January 2008.

Council Regulation 32003R1798, as one of the most important documents in the field of exchange of information and mutual cooperation of the Member States, will be directly applied from the date of accession of the Republic of Macedonia into the EU, taking into account that it is a legal act that directly binds the Member States to apply it, and there is no need for its prior incorporation into the Macedonian legislation.

INSTITUTIONAL FRAMEWORK

SHORT-TERM PRIORITIES

Acceleration of the process of signing and ratification of the Agreements on Avoidance of Double Taxation with Belgium, Bosnia and Herzegovina, Ireland, Kuwait and Qatar, as well as the acceleration of the process of realisation of the final stage of harmonisation of the Agreement with Slovakia. Conclusion of Agreements on Avoidance of Double Taxation with the other EU Member States, such as Luxembourg, Estonia, Portugal, Greece, Cyprus and Malta.

Short-term priorities of the Public Revenue Office regarding exchange of information, and pertaining to the application of Article 26 of the OECD Model, Tax Convention on Income and on Capital are the following:

- establishment of a register of authorised persons for contact and exchange of data from the countries with which the Republic of Macedonia has concluded Agreements on Avoidance of Double Taxation;
- appointment of authorised persons by the Public Revenue Office of the Republic of Macedonia for exchange of data and information;
- establishment of direct contact with authorised persons from other states for exchange of experience when applying the Agreements on Avoidance of Double Taxation.

MEDIUM-TERM PRIORITIES

Completion of the network of Agreements on Avoidance of Double taxation with all EU Member States, as well as with the USA, Canada and other non-European countries is necessary.

Medium-term priorities of the Public Revenue Office are establishment of electronic and spontaneous exchange of data with the countries with which the Republic of Macedonia has concluded Agreements on Avoidance of Double Taxation.

3.16.4 OPERATIONAL CAPACITY AND COMPUTERISATION

CURRENT SITUATION

To the end of improving the services to the taxpayers, increasing the control efficiency, as well as the revenues on the basis of all public duties, the Public Revenue Office is actively working on operationalisation of the strategic objectives, defined in the 2008 - 2010 Strategic Plan.

Improvement of services to taxpayers is realised through continuous training of the employees in small, medium and large taxpayers, divided by types of industrial branches. Such division facilitates the communication between the tax officer and the taxpayer and helps to overcome the problems which the taxpayers face. Implementation of the electronic tax services system in the Directorate of Large Taxpayers provides for 98% of the tax returns to be submitted electronically. Implementation of the second stage of the Project on electronic tax services for small and medium taxpayers is in progress.

Increasing the efficiency of the external control is realised through long-term planning on the basis of prior analysis of tax files of the taxpayers. By applying the risk criteria, the number of external controls is reduced; the collection is increased, compared to the same period last year. Implementation of the new methodology on external control at small and medium taxpayers - "desk audit" commenced, as part of the second stage of the implementation of the pilot project Small and Medium Taxpayers Office in the regional directorate in Stip. Education of tax inspectors is an on-going activity within the Sector for External Control.

With respect to the process of tax calculation and collection, the regional competence of the regional directorates being gradually abandoned, and this function is centralised by establishing an Office for Centralised Data Processing. Training for the employees to be part of this Office is already in progress, and is in line with the annual training plan for the PRO employees.

The defined performance measures are functional, and the performance assessment of the PRO employees is carried out.

The main objective of the PRO has never been neglected, which aims at modernisation of the tax administration, i.e. at becoming a service to the taxpayers (both legal entities and natural persons). The taxpayers' contentment is measured through determined criteria, procedures and forms and it is regularly published in the PRO reports.

LEGAL FRAMEWORK

The legal framework that regulates the administrative capacity of the Public Revenue Office in terms of its scope of operations, the organisational setup, the manner of performing the operations and management, as well as the authorisations and responsibilities regarding collection, recording, processing and protection of data pertaining to the operations of the Public Revenue Office is represented by the Law on the Public Revenue Office.

The Law on Tax Procedures creates a unified basis for the general tax law and tax administrative procedure. It regulates, in a unified manner, the following: general tax law, tax calculation procedure, tax control procedure, public revenue collection procedure, rights and obligations of taxpayers, and tax penal procedure and fines procedure. Many bylaws and operational guidelines have been adopted for the enforcement of this Law.

This legal framework provides the possibility to strengthen the administrative capacity for enforcement of the legislation and fight against tax evasion by undertaking short-term and medium-term measures.

INSTITUTIONAL FRAMEWORK

The Public Revenue Office is a state administrative body within the Ministry of Finance, with legal personality. It performs the activities within its scope through the Head Directorate, the regional directorates six regional directorates and one Directorate of Large Taxpayers) and tax units (24), with a total of 1,480 employees (as of 30 November 2007).

SHORT-TERM PRIORITIES

In the course of 2008, the capacities of the Public Revenue Office will be strengthened through:

- Replacement of the existing information system in the PRO – DANIS with a new Integrated Information System by 31 December 2008;
Undertaking of structural measure in the process of modernisation of the Public Revenue Office means implementation of new information technology to provide for greater efficiency, effectiveness of the tax administration, as well as better services to taxpayers. The existing IT system, developed in 2000, does not fully meet the requirements of the PRO in terms of its operations. The absence of documented development, the use of old technology, the inability to redefine the modules, the absence of basic level of security, as well as the inability to integrate with other systems, reflect the necessity to replace the existing IT system with a new Integrated Information System.
- Implementation of information and communication technology for the purpose of establishing an Office for Centralised Data Processing within the Public Revenue Office and its integration in the new Information System by 31 December 2008;
The main feature of the modern tax administrations is centralised processing of tax returns with modern OCR and ICR technology. This manner of operations provides for fast extraction of data from tax returns, and validation and processing thereof.
- E-services for small and medium taxpayers and natural persons by 31 December 2008;
The current solution for e-services in the PRO, E-Tax, is developed with the assistance of USAID and it refers only to large taxpayers being serviced by the Directorate of Large Taxpayers. This solution is not automatically integrated in the existing IT system in the PRO and has serious deficiencies from the aspect of IT security. In addition, the solution does not use digital certificates, thus not complying with the first postulate of confidential E-services. E-services do not cover third parties regarding the submission of tax returns/forms through this channel, for instance, bookkeeping firms, as an important partner to both the business and the PRO. The usual and optimal practise is, by establishing the centralised processing of tax returns, to implement, i.e. integrate a conforming and confidential e-service. Under this project, the Public Revenue Office will offer e-services on the basis of confidential technology by using digital certificates, but above all, a service integrated in the core system (new integrated IT system in the PRO).
- Implementation of an ICT solution for the Contact Centre of the Public Revenue Office by June 2008;
Improvement of services to taxpayers will be realised by providing faster and better access to information necessary to the PRO to meet their tax-related objectives. Regarding the realisation of this activity, the PRO opened a Contact Centre through which the efficiency and effectiveness of the operations regarding the main function of the PRO – services to taxpayers will be increased. The relations with taxpayers, i.e. tax clients and services quality offered to them, as well as the opening of new channels of communication, is mandatory in the operations of each modern tax administration.
- Implementation of an ICT solution for human resources management by 31 December 2008;
Introduction of an IT solution in the process of human resource management will have direct effect on the implementation of the PRO Modernisation Project, and will ensure a more efficient manner of managing tax officers.
- Development of a programme for services and education of taxpayers, to be implemented continuously in the course of 2008.
Improvement of services to taxpayers is realised through continuous training of the employees in small, medium and large taxpayers, divided by types of industrial branches. Such division facilitates the communication between the tax officer and the taxpayer and helps to overcome the problems which the taxpayers face.
- Training of the PRO employees in line with the annual training plan prepared by the Sector for Human Resources.
In the course of 2008, training for the tax administration will be organised in the PRO, to the end of specialisation and improvement in the operations by functions. In the first quarter of 2008, it is envisaged to realise training of inspectors regarding carrying out control at the financial institutions (banks, leasing companies and insurance companies), training for specialisation in carrying out external control by types of industrial branches, as well as training for further clarification of the legal amendments (Law on Tax Procedures, Law on Personal Income Tax, Law on Profit Tax, Law on Value Added Tax), training for the employees in the Sector for Services to Taxpayers, training for the employees in the Sector for Enforced Collection, training in communication (internal and external), as well as other training when necessary. The organisation of

seminars within the frames of the realisation of the annual IOTA programme, as well as study tours envisaged in the annual programme for realisation of the IMF project.

MEDIUM-TERM PRIORITIES

- Implementation of IT solutions for management of business processes in the PRO by mid-2009;
Performance, efficiency and effectiveness in the operations of the PRO are closely correlated to the quantity and quality of information available to the PRO. Not always the PRO possesses the information. There are other institutions and bodies which hold the information, which are of interest to the PRO when performing the functions. The objective of this project is for such information to be concentrated in one place and to apply certain business logic for them and to distribute them to the PRO.
This solution is a standard element of the IT solutions in every modern tax administration.
- Implementation of data storage for business intelligence by 2009-2010;
There are business processes in the PRO, which are part of the so called "supporting" functions within the PRO. These business processes should also be automated and integrated in the core system of the PRO. Conformity, confidentiality and integration of these business processes are of special importance for ensuring regulated and automated environment for performing the function in the PRO.

FOREIGN ASSISTANCE

IMF grant – Dutch Embassy – technical support for implementation of a three-year programme for modernisation of the PRO (risk analysis, pilot project for small and medium taxpayers, services to taxpayers, external control - desk audit, Office for Centralised Data processing, Contact Centre, human resources, enforced collection, tax calculation and collection). This grant is in the amount of EUR 2,023,560.

Grant from the Italian Government, realised through the UNDP, in the amount of EUR 683,635, which refers to the new software solution for the PRO.

Support is requested under IPA, for implementation of the VIES system, in the amount of EUR 1,200,000.

3.17 ECONOMIC AND MONETARY UNION

3.17.1 MONETARY POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

Law on the National Bank of the Republic of Macedonia

In 2007 the Law on the National Bank of the Republic of Macedonia entered inter-ministerial consultation and was sent to the European Commission and to the European Central Bank for an opinion.

Instruments of monetary policy and exchange rate policy

Monetary policy in 2007 was run against a background of structural excess liquidity. A dominant instrument of the NBRM is issuance of short-term securities so as to sterilise the excess liquidity. To the end of further development and deepening of the government securities market, in February 2007 the National Bank supplemented the *Rules on the manner and the procedure for trading and settlement of over the counter transactions in securities* (Official Gazette of the Republic of Macedonia No. 35/07), by introducing an obligation for the banks to daily list sale and purchase prices of government securities. In March 2007 the listing of Treasury bills began on the electronic platform, while as from September 2007, pursuant to the Rules, banks started listing on daily basis sale and purchase prices of government bonds. The transparent listing of the prices by banks on the National Bank website contributes to better information of investors and it is expected to result in greater interest in purchasing securities and increasing of their liquidity. To the end of intensifying the deposit market development, in April 2007, upon the initiative raised by banks, the *Rules on calculation and publishing of the interbank rate on the deposit market were adopted (SKIBOR-Skopje Interbank Offer Rate)*. In July 2007, reference banks selected according to the Rulebook began listing interest rates for sale of deposits (SKIBOR) with standard maturity periods: overnight, one week, 1 month and 3 months.

Statistics

According to the Monetary and Financial Statistics Manual of the IMF, monetary reviews are made in denars on monthly basis and are published within 30 after the expiry of the reporting month at the latest. Activities on further harmonisation with international standards (appropriate sectorisation and classification of financial instruments) in 2007 were aimed at preparation of new presentations in the balance sheet of NBRM, the banks, savings houses and the consolidated balance sheet of deposit institutions. In 2007, to the end of making rationalisation and reducing the burden of reporting, changes were made in the bylaws that regulate the reporting manner. New, simplified questionnaire was introduced on short-term commercial credits (Guidelines on the manner of direct reporting of claims and liabilities under commercial operations with non-residents, Official Gazette of the Republic of Macedonia, No. 39/07) and the manner of registering credit operations with abroad was simplified (Decision on recording the credit operations with abroad, Official Gazette of the Republic of Macedonia, No. 138/06 and Decision on the manner and conditions for reporting on concluded credit operations, Official Gazette of the Republic of Macedonia, No. 138/06).

In the area of further improvement and harmonisation with international standards on balance-of-payment statistics, in 2007 data were prepared on gross external debt, gross external claims and the international investment position of the Republic of Macedonia. Also, the scope of data on direct investments was improved by including the data from the annual questionnaire on direct investments in the balance of payments (the part on reinvested profits and inter-company debts).

Within the promotion of methodology on assessment of private transfers, in 2007 survey was made of private transfers by an independent institution. The results of this survey will be included in the balance-of-payment statistics during 2008.

To the end of reducing the time necessary for preparation of data on the balance of payment, a project on International Transaction Reporting System (ITRS) is in the final stage and it is planned to be realised in 2008.

INSTITUTIONAL FRAMEWORK

In order to strengthen the institutional capacity and establish basic infrastructure for launching the flow of funds statistics, a reorganisation was carried out of the Statistics Department, whereby a new section was formed for statistics of financial accounts. Procedures were prepared and a methodology of operations for the Section for Statistics of Financial Accounts. To the end of achieving greater harmonisation and consistency of statistics, the reorganisation of the Statistics Department resulted in merging the statistics of credit operations with abroad with the balance-of-payment statistics into a new Section for Balance-of-Payment Statistics and External Debt, as well as merging of the Section for Short-Term Commercial Statistics with the Section for International Investment Position.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Adoption of new Law on NBRM

The new Law on the National Bank of the Republic of Macedonia was planned to enter in governmental procedure by the end of May 2008.

Instruments of monetary policy and exchange rate policy

The National Bank continues the implementation of monetary policy by applying market-oriented instruments of monetary regulation. Thereby, activities that need to be achieved in a short period of time are aimed at improving the efficiency of monetary instruments so as to successfully sterilise the excess liquidity of the banking system. In these terms, the National Bank will continue the active implementation of open market operations (issuance of securities, repo transactions) so as to signalise more successfully the course of monetary policy.

To the end of further development and deepening of the interbank deposit market, as initial segment of the transmission mechanism, during 2008 a methodology is planned to be adopted for calculating and publishing MKDONIA (Macedonian Denar Overnight Index Average).

National Bank activities in 2008 will be focused on further enhancing the transparency regarding monetary instruments and trends on the money markets. Within these frameworks, it is planned to generate synthesised daily report on the trends on the money markets that would be available for banks and the broader public.

Statistics

- In the area of statistics, by end-2008 the following activities will be realised:
- Balance of payments: implementation of the results of the survey on private transfers in the balance-of-payment statistics; and launching a new International Transaction Reporting System (ITRS).
- Monetary and financial statistics: improvement of the monetary statistics through automation of the new manner of presentation of data under the monetary statistics and further development of the statistics of financial accounts to the end of preparing simplified and aggregate forms of matrix on the flow of money in the economy.
- Financial accounting
- In the area of financial accounting, to the end of introducing an integrated accounting system by end-2008 a project will be prepared for design/procurement of software solution on integrated accounting system.

INSTITUTIONAL FRAMEWORK

The Law on National Bank is drafted by the Ministry of Finance, i.e. the Unit for Banking System within the Sector for Financial System. This unit has three employees.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Instruments of monetary policy and exchange rate policy

On medium-term, the National Bank will adjust the monetary instruments according to the setup and the trends in the eurozone, the more advanced economies in transition that run similar monetary strategy. Introduction of the deposit instrument in the National Bank is planned on medium term, taking into account that in conditions of structural liquidity excess, its introduction can additionally discourage interbank trading.

Statistics

In the next period, the National Bank will continue to work on adjustments in the area of statistics so as to fully harmonise it to the requirements of the European Union.

Financial accounting

Observing the need that the NBRM, as member of the ESCB and ECB, will also report according to the Guideline of European Central Bank of 10 November 2006 on the Legal Framework for Accounting, in the second quarter of 2009 analysis will be launched of differences arising from the implementation of the IFRS standards (which the NBRM implements) and the standards of ECB on accounting report. At the same time, a plan and a dynamics of activities on harmonisation of the registration and preparation of financial statements of NBRM will be prepared, in accordance with the policies of the European Central Bank.

The realisation of this project requires technical assistance from a central bank or the ECB.

In order to apply the ECB accounting policies, the accounting system of the NBRM should be as integrated as possible. Introduction of an integrated accounting system is already planned, and financial resources are already projected therefore, but the overall amount cannot be projected yet, as well as the dynamics of implementation of the integrated accounting system. For the purpose of timely and successful implementation of the project, new employments are necessary in the Financial and Accounting Department, which will continue working on implementation of the new accounting policies.

FOREIGN ASSISTANCE

In the past period, the Ministry of Finance used technical assistance mainly from international financial institutions, through their technical missions so as to improve the draft law on NBRM.

3.17.2 ECONOMIC POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

MACROECONOMIC POLICY

Improving the quality of the macroeconomic analysis, modelling and projections in the national economy, by applying financial programming, provides for more quality counselling of the Government of the Republic of Macedonia and designing optimal economic policies and reforms, as well as more quality preparation of strategic documents, such as the Pre-Accession Economic Programme, the Macroeconomic Policy, the National Development Plan, etc.

Macroeconomic policy of the Republic of Macedonia is aimed at developing more sophisticated methods and models of planning the budget revenues so as to improve the overall budget process and to efficiently use the available resources.

PUBLIC DEBT

Legal regulation governing the indebtedness of the public sector in the Republic of Macedonia comprises the Law on Public Debt, Law on Budgets, Law on Financing of Local Self-Government Units and Public Debt Management Strategy. Main objectives of public debt management, pursuant to the Law on Public Debt, are stable financing of the needs of the state, incurring minimal costs, on the medium and long-term, as well as acceptable level of risk and development and maintenance of an efficient domestic financial market. Indebtedness in the public sector can be in the form of loans from domestic or foreign creditors or in the form of government securities issued on the domestic or foreign market.

Public debt issuers, pursuant to the Law on Public Debt are the following: Government of the Republic of Macedonia, municipalities and the City of Skopje, public enterprises and companies being fully or dominantly owned by the state, while the debt of the National Bank of the Republic of Macedonia is not included in the public debt. With respect to external and domestic Indebtedness and issuance of sovereign guarantees for external and domestic Indebtedness, it is necessary, pursuant to the Law on Public Debt, to obtain a positive opinion from the Ministry of Finance, as well as an approval by the Government of the Republic of Macedonia afterwards. If it is a matter of external indebtedness and issuance of sovereign guarantee for external Indebtedness, it is necessary for the Assembly of the Republic of Macedonia to adopt a Law.

Framework of the indebtedness policy of the Republic of Macedonia is set in the Public Debt Management Strategy, covering a three-year period, being adopted by the Assembly of the Republic of Macedonia every year. First Public Debt Management Strategy was adopted on 21 March 2006, covering the 2006-2009 period. It envisages a framework of the external and domestic Indebtedness for a period of 3 years, as well as guidelines for improving the features of the debt portfolio of the Republic of Macedonia.

INSTITUTIONAL FRAMEWORK

With respect to the organisational structure of the Sector for Public Debt Management, it is fully staffed, employing 13 persons, comprising the following Units: Front Office, Middle Office and Back Office.

The Sector for Public Debt Management within the Ministry of Finance cooperates and coordinates with the Sector for EU Harmonisation and International Finance, Sector for Budget and Funds, Sector for Treasury, Sector for Financial System and Sector for Macroeconomic Policy. The following are the institutions the Ministry of Finance cooperates with regarding public debt management: National Bank of the Republic of Macedonia, Securities and Exchange Commission, Central Securities Depository, commercial banks and other market participants. There were two new employments in the Sector for Public Debt Management in the course of 2007. At the moment, the Sector employs 13 persons and it will be fully staffed by the end of 2008.

Ministry of Finance concluded Agreement for Fiscal Agent with the National Bank of the Republic of Macedonia for the purpose of carrying out auctions of government securities, and agreement with the Central Securities Depository for registering, keeping and submitting data on the holders of government securities.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

With respect to the economic policy, it is envisaged, on the short term, to undertake steps for improvement of the legal framework.

Amendments to the Law on Public Debt by June 2008: although the amendments do not refer to the harmonisation of this Law with the EU legislation, they arise as a result of the need to more precisely set the legal framework regarding the coverage of public debt, its better implementation, and are aimed at realising better performance in the field of public debt. Following the adoption of the amendments to the Law on Public Debt, Manual on the Manner and the Procedure for Borrowing by Municipalities and Public Enterprises is to be adopted in a short period of time.

INSTITUTIONAL FRAMEWORK

MACROECONOMIC POLICY

On the short term, the Sector for Macroeconomic Policy will be staffed with additional personnel in line with the existing systematisation and activities for development of financial programming and projecting the budget revenues will be commenced.

PUBLIC DEBT

During 2008, it is expected to procure and implement software application, which will create an integrated database on the overall public debt of the state.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

According to the Medium-Term Public Debt Management Strategy, the Ministry of Finance continues the issuance of Government securities (GS) in the coming period. The intention is primarily to maintain the existing maturity, meaning regular issuance of treasury bills (TB) with the existing maturity of 3, 6 and 12 months, as well as increased issuance of government bonds (GB) with 2- and 3-year maturity, with a possibility to issue government securities with longer maturities depending on the market impulse. The experience so far regarding the issuance of government securities leads to the conclusion that frequency of issuance of securities corresponds to the market needs and the Ministry of Finance will continue with the same dynamics. Net issue of government securities in the coming years will also increase in line with the plan and projections for government securities issues. Regarding the introduction of primary dealers, the Ministry of Finance continues to monitor the participating banks in the auctions, which started in May 2006. Ministry of Finance will adopt a decision for introduction of primary dealers system, i.e. it will select a limited number of banks to have exclusive right to purchase at the auctions on the primary market of government securities, at the same time introducing rigorous obligations for the placement of government securities to be listed on the secondary market, etc. Ministry of Finance expects for the primary dealers to contribute to increase of competition between the banks and to provide for more efficient implementation of the primary issue of government securities.

In order to secure the financing of the state needs with the lowest possible costs on medium and long run, at the same time keeping sustainable risk level, pursuant to the Law on Public Debt, the following objectives are defined:

- Primary objectives: Share of euro-denominated debt in the total external debt of 67%-70% spread (with a maximum allowed deviation of +/- 3 percentage points); gradual increase of the share of the Denar in the total public debt and its spread of 9%-18% (with a maximum allowed deviation of +/- 2 percentage points)
- Secondary objectives: Total public debt to GDP ratio - Level of general government debt not to exceed 35% of GDP in the coming three years, level of public debt not to exceed 40% of GDP in the coming three years; Guaranteed public debt to GDP ratio - amount of guaranteed public debt not to exceed 4% of GDP.

INSTITUTIONAL FRAMEWORK

MACROECONOMIC POLICY

Should the necessary foreign (expert) assistance be provided, capacity of the Sector for Macroeconomic Policy is expected to be significantly strengthened on the medium term regarding the application of financial programming when projecting macroeconomic variables and assessment of the effect of the planned government policies and measures. Increased accuracy in planning budget revenues will provide for enhancement of the overall budget process, as well as for more rational and more predictable planning of budget revenues, paying special attention to the priorities.

PUBLIC DEBT

The Sector for Public Debt Management needs to extend its activities in the coming years in the Front Office and the Middle Office, thus a need arises for administrative strengthening of these Units in the course of 2009 and 2010.

FOREIGN ASSISTANCE

In the course of 2007, the Sector for Public Debt Management has extended technical assistance by the Embassy of the Kingdom of the Netherlands in the Republic of Macedonia, realised by engaging two consultants from the Ministry of Finance of the Kingdom of the Netherlands. In addition, with assistance by the World Bank, two experts were engaged in the Sector for Public Debt Management in the field of creating and implementing the Public Debt Management Strategy. IMF financed the consultants covering the topic of Cash Management. Thereby, USAID (World Learning) and FSVC, as donors, extended assistance to the

Sector in the form of a working visit to the Republic of Hungary, and GTZ provided funding for the working visit to the Republic of Austria and the Republic of Germany.

Cooperation with USAID and FSCV will continue in 2008 as well, and there are unutilised funds under the grant from the Embassy of the Kingdom of the Netherlands.

3.18 STATISTICS

3.18.1 STATISTICAL INFRASTRUCTURE

CURRENT SITUATION

LEGAL FRAMEWORK

The Law Amending the Law on State Statistics was adopted in February 2007 (Official Gazette of the Republic of Macedonia No. 21/07).

The 2008-2012 Statistical Research Programme was also adopted. The Ministry of Finance was for the first time included in the Programme as an authorised holder. Authorised holders, a wide circle of beneficiaries and reporting units participated in the drafting of the Programme.

SHORT-TERM PRIORITIES

MEDIUM-TERM PRIORITIES

- Harmonisation of the Law on State Statistics with EU regulation in terms of using micro-data by adopting the Law Amending the Law on State Statistics
- Law on the 2011 Census of the Population, Households and Dwellings,

ADMINISTRATIVE CAPACITY OF THE STATE STATISTICAL OFFICE

CURRENT SITUATION

In October 2007 the Assembly of the Republic of Macedonia appointed the president and members of the Statistics Council of the Republic of Macedonia. In accordance with amendments to the Law adopted in February 2007, members of the Council are representatives of: the Assembly of the Republic of Macedonia, the Employment Agency of the Republic of Macedonia, the Ministry of the Interior, the National Bank of the Republic of Macedonia, the Pension and Insurance Disability Fund, the Ministry of Justice, the Ministry of Finance, representatives of the science community (three members), a non-governmental organisation, the local self-government, and the Social and Economic Council.

In accordance with amendments to the Law adopted in February 2007, the position of the Director of the Office was strengthened in terms of his/her appointment and dismissal, as well as his/her independence in terms of decision-making on expert methodological issues in the field of statistics.

A system of strategic planning and monitoring of the implementation of the Statistical Research Programme implementation is being established at the Office to include the following: performance indicators, costs of statistical activities, monitoring the activities and other elements.

There are 245 in the Office of which 79 are employed in the regional units.

The SSO management (total of 14 persons) attended training on the concept of the European Foundation of Quality Management (EFQM). The SSO management attended training on capacity strengthening of the budget management unit and also on developing communication culture (internal and external communication). In this regard, in October 2007, a Survey on employees' satisfaction was implemented in the Office. Furthermore, the development of the system for cost monitoring by activity is also underway.

An integrated plan for human resource development was also prepared, which specifies the needs of the Office in terms of staffing, staff training etc.

SHORT-TERM PRIORITIES

- Strengthening the administrative capacity of the SSO:
 - Increasing the budget by 20 % in comparison to 2007.
- Increasing the efficiency of the strategic planning, budgeting and human resource management processes:
 - The organisational structure that will be adopted in the first quarter of 2008 will establish organisational forms required for strategic planning and human resource management
 - Pilot implementation of the system for budgeting and monitoring costs per activities
- Decreasing the reporting unit burden
 - Analysis of the situation
 - Drafting a proposal accompanied by an action plan
- Staff trained in relevant methods and procedures and in IT support
(to also continue as a medium-term activity)

- Training on relevant methods and procedures;
- Participation at international meetings organised by the Eurostat and other institutions

MEDIUM-TERM PRIORITIES

STATISTICAL OUTPUT SUPPORT, TECHNICAL INFRASTRUCTURE

A. ASSESSMENT AND QUALITY MANAGEMENT

CURRENT SITUATION

On the Office's Intranet page, a section on Quality has been added in which, apart from the Code of Practice, the Quality Declaration of the ESS is also included, and a definition of quality. Several management and expert staff of the SSO underwent short courses on quality; the outcome of these courses was the drafting of quality reports on the Labour Force Survey and the Survey on the Use of Information and Communication Technologies by Business and Financial Entities. On the basis of quality indicators applied in the ESS, the Office continuously calculates variants and coefficients of variation for all sample surveys, as well as (non) response rates. Special attention is also paid to timeliness and punctuality.

SHORT-TERM PRIORITIES

- Preparation of quality reports on research through:
 - Drafting a methodological instruction on how to draft quality reports
 - Drafting quality reports following the completion of statistical surveys

MEDIUM-TERM PRIORITIES

- Developing a statistical data quality management system by means of the following:
 - Application of EU recommendations on the quality of statistical research and statistical data
 - Drafting the Code of Practice
 - Developing a process monitoring system
 - Developing a self-evaluation system

B. IT INFRASTRUCTURE AND SSO SERVICES

CURRENT SITUATION

Towards the end of the third quarter of 2007, the SSO received the following equipment: servers to substitute domain controllers at the SSO and at other eight regional units, servers to substitute the mail server, a proxy server and a database server, and 93 new work stations. The operational server systems are Microsoft Windows2003, Linux and AIX, whereas work stations operate with Microsoft Windows XP. Additional system software purchased includes the McAfee antivirus package and Microsoft ISA 2006 Server within the framework of the Twinning project.

In addition, during 2007, the Budget of the Republic of Macedonia funded the procurement of equipment for the needs of the Agriculture Census. A server was procured as well as 47 work stations and database software Microsoft SQL Server.

In terms of training, funds from the Twinning Project enabled attendance at a series of Microsoft courses in the fields of system support, administration, networks and data protection for Windows operational systems and networks as well as for Microsoft ISA servers; knowledge acquired at courses will be applied in the migration process. Training on development of desktop applications in Microsoft.net environment is also underway as well as two courses on administration and programming of Microsoft SQL Server.

SHORT-TERM PRIORITIES

- Complete change of the information technology infrastructure in the entire Office and the remaining eight regional units (migration from WindowsNT to Windows 2003)
- Migration from WindowsNT to Windows 2003
- Processing of applications supporting statistical surveys by using contemporary tools according to relevant European standards, development of applications for data collection via Internet.
- Development of standardised applications for planning, activity monitoring, report drafting, etc.
- Establishing common operational standards and methods.

MEDIUM-TERM PRIORITIES

- Maintaining of continuity in the modernisation of the IT environment in order to achieve efficient support for the process of statistical production and of internal and external communication through:
 - Partial upgrading of information technology infrastructure and software tools
 - Processing applications supporting statistical surveys by using contemporary tools according to European standards, development of applications for data collection via the internet

C. IT NORMALISATION AND COLLABORATIVE INFRASTRUCTURE FOR the European Statistical System (ESS)

CURRENT SITUATION

The Eurostat eDAMIS Web Application – eWA software was installed at the SSO. The Office has continually increased the number of data sets being transferred to the Eurostat through the Single Entry Point – SEP with the use of eWa tool.

SHORT-TERM PRIORITIES

- Significant increase in the number of data sets delivered to the Eurostat through the single entry point by using Eurostat products and tools for data transmission
- Developing software applications for transcoding of data delivered to the Eurostat

MEDIUM-TERM PRIORITIES

- Integration of data to the Eurostat databases by accepting the standards for data and metadata transmission
- Implementation of EU standards for data and metadata exchange

D. REFERENCE DATA AND METADATA DEPOSITS

CURRENT SITUATION

The current metabase that contains basic data about the organisational structure, statistical surveys and published documents, as well as relations among them is continually updated and used for production purposes in terms of developing statistical programmes: the statistical survey annual multi-annual programmes.

In 2007 an application was developed to be used in the drafting of the 2008-2012 Statistical Research Programme.

The process of continuous monitoring of the development of metadata methodology in international frames and the adoption of methods and techniques for defining the SSO meta model.

SHORT-TERM PRIORITIES

- Developing a system for metadata development in the SSO
- Developing a detailed time frame for the metadata system
- Drafting a document – the methodological basis on meta base content

MEDIUM-TERM PRIORITIES

- Defining an initial framework, analysis of objects and their mutual relationship within the metadata model
- Defining a time line plan with participants in order to implement an integrated metadata system in the SSO
- Defining an initial framework, objects and their attributes in the metadata model
- Analysis of objects and their relationship in the metadata system

E. RESEARCH IN STATISTICS AND METHODOLOGIES

CURRENT SITUATION

In terms of sample surveys for which the determination of a selection framework is the primary basic challenge, in 2007 the focus was laid on the determination of a framework for a master sample of enterprises using data from the SSO, the Central Register and FPDIM as well as on the determination of a master sample for households. The calibration (post-ratification) in some researches (the Labour Force Survey, the Household Consumption Survey) was also initiated.

In the fields of research and development but also in the field of statistical methodologies, it is necessary to have continuous upgrading taking place as well as improvement of methods and software used for sample research designing and processing.

SHORT-TERM PRIORITIES

- Organisation and introduction of training and technical assistance programmes in the sample design theory field
- Continuous application of calibration in research to reduce the effect of nonresponses

MEDIUM-TERM PRIORITIES

- Organisation and introduction of training and technical assistance programmes in the sample design theory field
- Software for designing and processing sample surveys on plant production.

D. DATA SAFETY AND STATISTICAL CONFIDENTIALITY

CURRENT SITUATION

Regarding data protection, the Law on State Statistics was harmonised with current regulations of the EU:

- Commission Regulation (EC) No 45/2001 of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data
- Commission Regulation (EC) No 831/2002 on implementing Council Regulation (EC) No 322/97 on Community statistics, concerning access to confidential data for scientific purposes

Individual data, including special categories of personal data on physical entities collected for statistical purposes, represents confidential data and can be used exclusively for statistical purposes and scientific research in accordance with the Law on State Statistics (Official Gazette of the Republic of Macedonia, No.54/97) and the Law on Personal Data Protection (Official Gazette of the Republic of Macedonia, No. 07/05).

In the State Statistical Office, measures have been undertaken to protect statistical data against unauthorised access or physical destruction.

Microdata from statistical surveys are deposited to a central server in a room with card controlled entry and surveillance cameras. Access to the databases is selective, by using the user name and password of Unix servers and allocation of privileges in DB2.

In the State Statistical Office there is a defined daily backup procedure as well as an archiving procedure for data and applications after the conclusion of each statistical survey. Backup and archived data is kept in a locked fireproof safe-deposit in the SSO and in a rented safe-deposit box outside the facilities of the Office.

There is a regular system backup procedure defined covering servers and a user name and password allocation policy with appropriate privileges (administrators, operators, users).

For internet access of employees an MS Proxy server is used that is also used for protection against system intrusions. For virus protection, a Symantec Antivirus – Corporate Edition package has been installed in a separate server, and is regularly updated.

SHORT-TERM PRIORITIES

- Improving data security by technology upgrading (hardware, software) and maintaining protection rules by means of the following:
 - Active Directory Implementation
 - Construction of a DMZ

MEDIUM-TERM PRIORITIES

- Implementation of international information system protection standards
 - Implementation of SDC (Statistical disclosure control) methods for adequate software development/adjustment

DISSEMINATION

CURRENT SITUATION

Dissemination of statistical data should enable access and use of statistical data by users in the country and abroad. Statistical data is available to users in several formats- printed publications issued at various intervals, WEB dissemination and data compilation according to user needs.

In 2007, in the area of statistical data dissemination the following activities were undertaken:

- technical and content layout re-design of the INTRANET page
- Informing the population of the Republic of Macedonia on the Agriculture Census 2007.
- Drafting the Dissemination Strategy for the next three-year period;
- Testing the contents and technical aspects of the redesigned edition Releases
- Analysing the use of the software application for electronic data dissemination and purchase of the PC Axis software
- Adoption of the Plan for dissemination of data from the Agricultural Census 2007
- Participation in the Agro Food Fair in Skopje.

SHORT-TERM PRIORITIES

- Dissemination of data from the Agriculture Census
 - In order to enable access to data from the Agriculture Census, the State Statistical Office developed a special Dissemination Policy
 - Data dissemination is planned to be carried using several forms-electronically and through publications; the first two books containing final Census data have already been published
- Realisation of the Data Dissemination Strategy

- The main goal of the Dissemination Strategy is to provide for publicity and equal access to users of products and services maintained by the State Statistical Office. The Strategy includes dissemination forms and methods to be carried out by the State Statistical Office during the next three-year period
- This Strategy will represent an effort to achieve consistency of the Macedonian dissemination system with the European statistical practice
- Strengthening cooperation with public information media is of special interest and, in that sense, the application of redesigned Communications began in early 2008
- This is to be maintained also as a medium-term priority
- Strengthening confidence in official statistics
 - The attaining of institution's strategic goal of strengthening confidence primarily requires obtaining information on users of SSO products and services. In that sense, the carrying out is planned of a Survey to measure user satisfaction; on the basis of results obtained, the forms and contents of disseminated products will be redefined.
 - Confidence in official statistics should be strengthened by strengthening the belief on the part of the public that its data is not subject to abuse; in addition, rules need to be defined on access to data for scientific and research purposes and, in that sense, the Policy on access to microdata should be developed
 - This is to be maintained also as a medium-term priority

MEDIUM-TERM PRIORITY

- Carrying out the Data Dissemination Strategy
- Strengthening confidence in official statistics
- Establishing cooperation with other participants in the statistical system in terms of dissemination
 - Consistency of the Macedonian statistical system should be maintained in the domain of dissemination as well. In this regard, it is necessary to establish cooperation with other participants in the statistical system and secure the application of European dissemination principles also with other participants in the statistical system.

3.18.2 CLASSIFICATION AND REGISTERS

CURRENT SITUATION

LEGAL FRAMEWORK

The following classifications were adopted in 2007:

- Classification of Government functions -COFOG,
- Classification of products according to activities -CPA,
- Classification of goals of non-profit institutions serving households (COPNI).

In December 2007, the Government of the Republic of Macedonia adopted the Decision on the Nomenclature of Territorial Units for Statistics (NUTS).

There are ongoing activities for harmonisation of the National Classification for Classification of Activities NCO rev.1 with the European Classification of Economic Activities NACE Rev.2.

The Classification of Energy Sources was developed and published.

SHORT-TERM PRIORITIES

- Harmonisation of the national standards system with the European System of Standards :
 - A Decision Determining the National Classification of Activities NCO Rev.2.

Harmonisation of the list of types of waste with statistical categories of waste

MEDIUM-TERM PRIORITIES

- Harmonisation of the national standards system with the European standards system:
 - A Decision determining the National Nomenclature of Industrial Products NNIP issued by the Government of the Republic of Macedonia
 - A Decision determining the National Product Classification– NPC
 - A Decision determining the alignment of National Classification of Occupations – NCO with the international classification of occupations ISCO –08

REGISTERS

CURRENT SITUATION

There is an ongoing process at the State Statistical Office of establishing and maintaining statistical registers.

The State Statistical Office established the base for the Statistical Business Register (SBR). The base includes data on all legal units (legal and natural persons) and legal local units.

The contents of the business register have been defined: statistical units (legal unit, enterprise and local unit), variables for each unit and relations among units within the SBR.

Proposed working versions of methodological instruments for taking the Census of Business Facilities were developed.

Statistical Population Register - development of methodological bases and functionality of the SPR is underway, harmonised with European standards and recommendations.

SHORT-TERM PRIORITIES

- Activities to enable removing administrative and management functions from the State Statistical office from and its full commitment to its basic activity are underway. These activities will involve:
 - Transfer of the spatial units register to the SAGW
 - Transfer of the population register to the MI;
 - Transfer of the methodological, organisational and technical processing of data from the Electoral Roll to the SEC(This will continue as a medium-term priority)
- Establishing, keeping and updating the Statistical Business Register - SBR (this will continue as a medium-term priority) by means of following activities:
 - Carrying out the Census of business facilities;
- Development of methodological basis and functionality of SPR according to European standards and recommendations (will continue as a medium-term priority)

MEDIUM-TERM PRIORITIES

- Upgrading the Statistical Business Register – SBR through:
 - Development of methodological basis and functionality of SBR harmonised with European standards and recommendations (introduction of a group of enterprises)

3.18.3 SECTORIAL STATISTICS

3.1. DEMOGRAPHIC, SOCIAL STATISTICS

CURRENT SITUATION

In the area of population statistics, activities were focused on employee training in developing short-term (quarterly) population forecasts per regions, gender and age. Such forecasts have been prepared and analysis thereof is to be done soon.

In terms of the 2005-2055 population projections, indicators necessary for the analysis of movement of factors for demographic development have been calculated, and hypotheses on future trends of the total fertility rate have been developed.

Preparatory activities are underway for the next population and housing census to be carried out in 2011.

In terms of the statistics of migration of foreigners, data was collected in 2007 by means of questionnaires and the database of the MI.

In the field of mortality statistics, data on deceased persons by cause of death was published according to the Tenth Statistical Classification of Illnesses and Related Health Problems (MKB-10, list of 65 reasons).

In terms of education statistics, two new surveys were taken and data thereof was published: on enrolled students at post-graduate studies and on persons at Ph.D. studies.

A publication was developed on the 2006 Census of Available Space at Higher Education Institutions.

Within the social protection statistics, it is necessary to intensify cooperation with institutions in order to study and implement the ESSPROS Methodology.

In the area of crime statistics, in 2007 the SSO for the first time received and completed the EUROSTAT questionnaire on Statistics on Crime and the Criminal Justice System. The questionnaire was completed in cooperation with the MI -Directorate for Execution of Sanctions.

In terms of innovation statistics data was published in 2007 on innovation activities in the Republic of Macedonia.

The Labour Force Survey (LFS) in the Republic of Macedonia –improvement to the content of the questionnaire was carried out as well as evaluation of the sample representative nature and size of the sample and the quality of data on regional level. Experimental calculations were carried out on regional level for 2004, 2005 and 2006. Transcodification of 2006 LFS data was carried out in accordance with EU standards for data transmission to Eurostat.

Labour Cost – the labour cost index for 2004, 2005 and 2006 was calculated per quarters based on a database derived from the monthly employee and salary research.

Salaries in the public and private sectors –draft methodology and instruments were developed.

Injury at work - This *ad hoc* module was carried out in the fourth quarter of 2007 within the framework of the Labour Force Survey in accordance with Regulations 384/2005 and 341/2006.

Household Consumption Survey – experimental calculations were carried out on annual level per regions for the years 2004, 2005 and 2006. In order to improve the quality of results derived from the Survey on regional level and per quarters the sample was redesigned in 2007 and calibration will be carried out at the same time with the processing of 2007 data.

SHORT-TERM PRIORITIES

- Transmission of data to the Eurostat in accordance with EU standards
 - The 2006 LFS data ;
 - Transcodification of data derived from the 2007 LFS and transmission thereof
 - Data from the 2004 and 2006 Labour Cost Survey
- Carrying out preparatory activities for the forthcoming Population and Housing Census by means of:
 - Defining the content of features
 - Drafting a general plan for census implementation
 - Carrying out the census taking plan (this will continue as a medium-term priority, and also following 2010)
 - Preparation of the census cartography by using new available technologies (this will also continue as a medium-term activity)
- Developing and publishing the Publication on Regional Level Population Projections by means of:
 - Finalising hypotheses
 - Publication issuing
- Using data from the foreigner administrative register maintained within the MI
- Studying with the ESSPROS methodology – competent institutions SLI, HIFRM, FPDIRM in cooperation with the SSO through:
 - Intensifying the activities of the working group for ESSPROS;
 - Drafting a plan of activities
- Carrying out the survey on salaries in the public and private sectors

MEDIUM-TERM PRIORITIES

- Continuous transmission of data to the Eurostat in accordance with EU standards
- Implementation of preparatory activities for the next Population and Housing Census
- Implementation of a pilot Continuous Vocational Training Survey through:
 - Familiarisation with the methodology and preparation of instruments
 - Preparation of a plan for organisation and implementation;
 - Implementation of the Pilot survey
- Implementation of the ESSPROS methodology – competent institutions SLI, HIFRM, FPDIRM in cooperation with the SSO through:
 - Calculation of costs for social protection per user categories according to ESSPROS – will also continue after 2010
- Preparation for the survey taking: income structure and distribution by means of:
 - Getting acquainted with EU regulations and standards and drafting a methodology and instruments
 - Taking a Pilot Survey
- Preparations to conduct income and living standard surveys –SILK through:
 - Familiarisation with the methodology and preparation of instruments:
 - Implementation of a pilot income and living standard survey –SILK

3.2. ENVIRONMENT STATISTICS

CURRENT SITUATION

The first publication in the field of environment developed in cooperation with the Ministry of Environment and Physical Planning was published towards the end of 2007. Three workshops were held in the second half of 2007 within the regional SIDA project on advancing environmental statistics in the fields of water, waste, and environmental costs.

SHORT-TERM PRIORITIES

- Providing data necessary for monitoring environmental statistics in accordance with relevant European regulations by means of:
 - Revising methodological instruments for the current statistical survey on communal waste in the industry sector and taking a pilot survey

Adapting some water surveys to be aligned to relevant EU standards

MEDIUM-TERM PRIORITIES

- Providing data necessary for monitoring environmental statistics in accordance with relevant European regulation through:
 - Taking a regular survey on waste in the industry sector;
 - Taking a pilot survey on environmental costs
 - Developing a waste survey to cover all NACE sectors
 - Adapting some water surveys in accordance with relevant EU standards

3.3. MACROECONOMIC STATISTICS

CURRENT SITUATION

During 2007, the calculations were developed of the Gross Domestic Product by the expenditure method at quarterly actual prices, and data was developed by fixed prices according to the production method on quarterly and annual levels by using the double deflation method.

Methodological recommendations of ESA 95 and SNA 93, the EUROSTAT Quarterly National Accounts Manual, the IMF Manual on Quarterly National Accounts Manual and the EUROSTAT Manual on Price and Volume Measures were used in calculations.

- There is an ongoing implementation of a calculation audit; in doing this, recommendations of IMF technical mission are observed together with recommendations contained in these manuals.

In 2007, progress was made with the Twinning project in calculations necessary for tables of supply and use as well as the symmetric input and output table. Data from 2005 was processed. This exercise data will be the basis on which the 2008 publication will be prepared.

During 2007, the SSO prepared experimental data on regional level. In 2007, collected available data was assessed within the Twinning project and a calculation was made according to recommendations on regional accounts (Directive 2223/96). In addition, instructions for calculation were prepared which will serve for the practice and advancement of such calculations in the future.

Activities related with the 2008 European Comparison Programme are being carried out, with market prices of goods and services on the basis of lists of goods and services previously agreed with EUROSTAT are being recorded. Each phase is harmonised with the Eurostat time table and with the leader country.

During 2007 activities commenced related with specific chapters previously having been defined with the OECD team regarding the level of detail of national accounts. Calculations were carried out by the SSO and verification thereof and discussion about them will be done with OECD representatives. Data developed is expected to implement Commission Regulation No. 1722/2005 on the principles for estimating dwelling services.

In cooperation with the Ministry of Finance and the National Bank of the Republic of Macedonia, the SSO acquired data in the course of 2007 on insurance companies and financial data regarding banks and saving banks on quarterly level which enabled rationalisation in the added value calculation on quarterly level for the financial sector, with no additional forms sent out to business entities created.

The methodology for the developing of euro-indicators and indicators of sustainable development is being studied.

SHORT-TERM PRIORITIES

- Compilation of economic accounts by institutional sectors and preparation of an integrated set of economic accounts;
- Mastering the techniques for evaluation of missing data to balance data on the supply and use tables including software solutions;

- Preparation of a GDP methodology to include every advancement introduced to data made by 2007
- Improving the quality of data on regional level value added (NTES 3).
- Continuing activities within the PPP Project (Purchase Power Parity), 2008 round.
- Harmonisation of macro aggregate calculation, in accordance with ECC 95

MEDIUM-TERM PRIORITIES

- Improving sector accounts
- Continuing activities within the PPP Project (Purchase Power Parity)
- Improvement of methods for the calculation of value added on regional level including household account on regional level
- Improvement of nominal indicators for GDP calculation at quarterly level for the remaining institutional sectors – the Households sector and the economic sector of Agricultural
- Improvement of the quality of data in input-output tables to be submitted to EUROSTAT
- Providing euro-indicators and sustainable development indicators and data provision
- Developing medical accounts

3.3.1 PRICES

RETAIL PRICES

CURRENT SITUATION

For the purpose of harmonisation with EU standards, the index of cost of living is calculated according to the COICOP classification and currently, there is an ongoing harmonisation with the national index towards HICP. In 2007, the list of goods and services was revised. Banking services were included and the scope of catering services has been significantly increased. A change has been made in monitoring the prices of agricultural goods which until 2007 were monitored only once per month during the third week; since this year, prices will be monitored twice a month, in the first and third weeks of each month.

SHORT-TERM PRIORITIES

- Establishment of a national index in the direction of HICP
 - Change of the reference index period (2005=100)
 - Change of the basic price period (December =100)
 - Application of qualitative adjustment of certain goods and services
 - Calculation of the structure of weights

MEDIUM-TERM PRIORITIES

Establishing a methodology for calculation of HICP

3.3.2 STATISTICS FOR BUSINESS CYCLE ANALYSIS PURPOSES

CURRENT SITUATION

In 2007 within the framework of the Twinning project an experimental statistical survey was taken on construction permits issued in the territory of Skopje municipalities and experimental statistical research on income from sales and new orders in the industry sector in accordance with the CTC regulation.

SHORT-TERM PRIORITIES

- Providing short-term statistical data on the construction field by means of:
 - Taking a regular statistical survey on construction permits and building user permits
- Providing short-term statistical data on industrial producer prices by means of:
 - Developing weights (2005 basis) and processing indices to a new basis
- Providing short-term statistical data in the industry field by means of:
 - Taking a regular survey on new orders and revenue derived from industry sales (setting up a base for pilot index calculation)

MEDIUM-TERM PRIORITIES

- Providing short-term statistical data on the construction sector by means of:
 - Taking a statistical survey on construction costs per construction items (pilot and regular)
- Providing short-term statistical data on the industry sector by means of:
 - Calculation of indices of new orders and revenues gained from industry sales and setting up a basis in accordance with the STS regulation (2010=100)
- Providing relevant statistical data in accordance with the EU regulation PRODCOM
 - Regular delivery of annual data on industrial production according to PRODCOM

3.4 BUSINESS STATISTICS

CURRENT SITUATION

In 2007, within the framework of the Twinning project, several pilot surveys were carried out in the fields of industry, construction, distributive trade, transport, hotels and restaurants, in accordance with the SBS regulation.

In 2007, the State Statistical Office developed seven Communications, six of which per types of energy and by months and one regarding the 2005 total energetic balance. In 2007 within the framework of the Twinning project, test surveys were taken regarding the price structure of electricity and natural gas in industry and households.

The five-year survey regarding travels of the country's population monitors the costs of travelling with households as a target group. The survey was taken in 2007.

SHORT-TERM PRIORITIES

- Providing structural statistics in accordance with EU regulation for SBS No.58/97, by means of:
 - Taking regular surveys on structural statistics in the fields of industry, construction, distributive trade, transport and catering for large and medium-size enterprises, having 100% coverage;
- Providing short-term statistical data in the energy field by means of:
 - Taking a regular survey on price structure of natural gas in industry and price structure of natural gas and electricity in households and industry
- Providing relevant statistical data in the field of energy from the consumer aspect, by means of:
 - Developing a publication on energy balances for the 1990-2006 period
- Providing short-term statistical data on tourism and catering through:
 - Introduction of variables for the calculation of net-utilisation of facilities in catering
 - Adjustment of statistical surveys in catering regarding types and categories of facilities for accommodation according to relevant directives and national legislation in cooperation with the Ministry of Economy
- Providing short-term statistical data in the field of transport by means of:
 - Introducing a statistical survey on parking lots in accordance with the Transport Glossary
- Providing short-term structural statistical data on retail and wholesale trade by means of:
 - Census of trade, catering and accommodation facilities

MEDIUM-TERM PRIORITIES

- Providing structural statistics in accordance with EU regulation No.58/97 on the SBS (continuation of short-term activities)
 - Taking a regular survey on structural statistics in industry, construction, distributive trade, transport and catering for small and medium-size enterprises
 - Taking a regular survey on structural statistics in financial institutions
- Providing relevant statistical data in the field of energy
- Continuous harmonisation of statistics in the field of energy with EU regulations
- Providing short-term statistical data in the field of transport by means of:
 - Assessment of quality and further harmonisation of statistics of freight transport with EU regulation on freight transport;
 - Harmonisation of relevant legislation with European regulations on transport mobility
- Providing short-term structural statistical data on retail and wholesale trade through:
 - Preparation of a Publication from the implemented census of retail and wholesale capacities, catering and accommodation facilities
 - Revision and harmonisation of statistics for the purpose of monthly monitoring of distributive trade in accordance with STS and SBS
 - Initial publication of a series of data in the distributive trade field

3.5 AGRICULTURAL STATISTICS

CURRENT SITUATION

In 2007, the State Statistical Office implemented the Agriculture Census that will provide data on agricultural land and arable land, number of cattle, agricultural production, agricultural technical measures, machines and equipment, facilities in the economy, forestry, fishery and labour force. The first final results from the Agricultural Census were published in December 2007.

The State Statistical Office uses the European Methodology on Agricultural Prices 2000=100 in the calculation of indices of prices in agriculture.

SHORT-TERM PRIORITIES

- Providing relevant data to support the decision-making process regarding the development of the agricultural sector in the Republic of Macedonia by means of:
 - Developed conceptual model to establish the Farm Register
 - Redesigning the sample for statistical research on the number of cattle and cattle production
 - Development of methodological basis for statistical research for sample based plant production
 - Carrying out a statistical research on the number of cattle and cattle production based on samples using data derived from the agriculture census
- Providing relevant data on agro-monetary accounts in agriculture through:
 - Revision of weight accounts and API calculation
 - Experimental calculations of economic accounts by constant prices

MEDIUM-TERM PRIORITIES

- Providing relevant data to support the decision-making process on the development of the agricultural sector in the Republic of Macedonia through
 - Establishing a Farm Register
 - Preparation of the first structural survey of farms and field carrying out
 - Taking a statistical survey on cattle production based on samples
 - Developing methodological bases for statistical research on private sector forestry and field effectuation
- Providing relevant data on agro-monetary accounts in agriculture
 - Developing and publishing economic accounts by constant prices
 - Drafting a set of data on regional agricultural accounts

3.6. MONETARY, FINANCIAL, TRADE AND BALANCE OF PAYMENTS STATISTICS

CURRENT SITUATION

The statistics on foreign trade is entirely harmonised in accordance with European regulations as regards the EXTRASTAT. The methodology of base index comprehension was adopted in the framework of the Twinning project and base indices were re-calculated. Relevant data will be published in a publication at the end of 2007.

The Ministry of Finance of the Republic of Macedonia prepares financial reports on attained revenues and effectuated expenditures from the budget of the Republic of Macedonia (the central budget and budgets of funds). Data is prepared on a monthly basis and published 30 days after the end of the reporting month. The methodology of the Manual on the governmental financial statistics of the International Monetary Fund is used in the preparation of reports (GFS 1986). The Ministry of Finance of the Republic of Macedonia is currently preparing the transfer towards beginning to use the methodology prescribed in the Manual on Governmental Financial Statistics of the International Monetary Fund (GFS 2001), in the exercise of drafting financial reports on attained revenues and effectuated expenditures from the budget of the Republic of Macedonia. The Ministry of finance actively cooperates with the State Statistical Office in the implementation of the methodology of the European System Accounts (ESA '95). In addition, the Ministry of Finance regularly exchanges data with the State Statistical Office related to financial statistics.

Within the framework of the balance of payments statistics, in 2007, the National Bank of the Republic of Macedonia introduced changes to bylaws regulating the manner of reporting in order to rationalise and decrease the burden of reporting. Subsequently, a new simplified questionnaire on short-term trade credits was introduced and the manner of documenting foreign crediting was also simplified.

In order to achieve greater harmonisation and consistency of statistics, the Statistical Directorate was reorganised with the statistics on credit matters and the payment balance statistics merged into a new statistical section of payment balance and foreign debt, as well as merging the section for short-term trade statistics with the international investment ranking section.

In terms of further advancement and harmonisation with international standards on balance of payment statistics, in 2007, data was compiled on the gross foreign debt, gross foreign receivables and the Republic of Macedonia's international investment ranking. Moreover, the coverage of data was improved on direct investment outlays by means of inclusion of data derived from the annual questionnaire on direct investment in the payment balance (section related to re-invested profit and inter-company debt).

In terms of improving the methodology for evaluation of private transfers, in 2007, a survey was carried out on private transfers by an independent institution. The results from this survey will be integrated to the balance of payment statistics during 2008.

In 2007, NBRM activities in terms of continuous harmonisation of monetary statistics with international standards (adequate sector division and classification of financial instruments), were focused on developing new presentations of the NBRM balance, saving banks, and deposit institutions' consolidated balance.

In order to strengthen institutional capacity and establish the basic infrastructure needed to launch the flow of funds statistics, the Statistical Directorate was reorganised, forming a new section for financial accounts. The procedures and methodology for practice of the financial accounts statistics section were prepared.

SHORT-TERM PRIORITIES

- The Ministry of Finance of the Republic of Macedonia is planning a transfer to using the methodology contained in the Manual on Governmental Financial Statistics of the International Monetary Fund (GFS 2001) when preparing financial reports on gained revenues and effectuated expenditures of the State Budget of the Republic of Macedonia.
- The Ministry of Finance of the Republic of Macedonia plans to launch the drafting of financial reports on effectuated expenditures from the State Budget of the Republic of Macedonia per Government functions by using the COFOG methodology.
- In cooperation with a resident consultant, the Ministry of Finance of the Republic of Macedonia plans to launch activities to implement the EUROSTAT methodology, in particular the European System of Accounts (ESA '95) when compiling financial statistics.
- Implementation of results from the survey on private transfers within the balance of payment statistics.
- Improvement of monetary statistics by means of automatisisation of the new manner in which monetary statistics data is presented.
- Further development of financial accounts statistics towards the development of more simplified and aggregate forms for matrices for flow of funds in the economy.

MEDIUM-TERM PRIORITIES

- Providing short-term statistics in the field of foreign trade by means of:
 - A pilot survey of real export-import prices in accordance with WTO regulation
- The Ministry of Finance of the Republic of Macedonia plans full implementation of the EUROSTAT methodology and the European System of Accounts (ESA '95) when preparing financial statistics.
- The National Bank of the Republic of Macedonia will work on providing adequate level of disaggregation by countries and by sectors, adequate financial instrument distribution, as well as further improvement of data quality, applied methodology and data sources.

FOREIGN AID

In the course of 2008-2010, the Office will execute activities that will be funded through several projects:

- National CARDS 2005 programme – twinning project for SSO capacity strengthening (by May 2008)
- Regional CARDS 2003 Statistics Programme (by March 2008)
- National Project for Improvement of Agriculture Statistics funded by SIDA, 2008-2010, including agriculture statistics and environment statistics
- Regional IPA 2007 Programme; the ToR document has been prepared and implementation will take place in the 2008-2010 period
- National IPA 2007 Programme, Project for Support of SSO in the Implementation of the *Acquis*. The project *fiche* has been prepared, and implementation will take place between 2008 and 2010. The Ministry of Finance is included in the project as beneficiary of technical assistance for full implementation of methodologies of the EUROSTAT and the European System of Accounts (ESA '95) in the compilation of financial statistics.

3.19 SOCIAL POLICY AND EMPLOYMENT

3.19.1 LABOUR LAW

CURRENT SITUATION

The promotion of the legal framework in the field of the Labour Law is conducted with an aim to fulfil the criteria consisted in the European legislation, as well as to achieve the aims, agreed within the frameworks of the Open Method of Coordination.

In July 2007, the new Law on Employment and Work of Foreigners was adopted (Official Gazette of the Republic of Macedonia No. 70/07), in accordance with the Directive 96/71/EC concerning the posting of workers in the framework of the provision of services.. In order to implement the Law, the Ministry of Labour and Social Policy prepared two Rulebooks: Rulebook on the procedure for registration and completing of work by foreigners and Rulebook on issuing work permits and the form and contents of the special types of work permits (Official Gazette of the Republic of Macedonia No. 108/07).

As a competent authority for cooperation and exchange of information for employment and working of the foreigners, including the posted workers, in accordance with the mentioned Directive, the Employment Agency of the Republic of Macedonia was established.

Amendments to the Law on Employment and Insurance in Case of Unemployment (Official Gazette of the Republic of Macedonia No.37/97, 25/00, 101/00, 50/01, 25/03, 37/04, 4/05, 50/06 and 29/07) were drafted, according to which, at least 5% of the contribution for employment, paid by the employer, will be used for financing active employment policies.

With the implementation of the Law on Temporary Employments Agencies (Official Gazette of the Republic of Macedonia No. 49/06), the undeclared work is successfully regulated. Up to now, 20 agencies for temporary employments were established, and approximately 10,500 persons were temporarily employed through them.

In the direction of further harmonisation of the labour national legislation with *acquis*, the procedure for selection of a TWINNING project, which will last in the following 15 months and will provide expert assistance to the Ministry of Labour and Social Policy for analysis of the degree on harmonisation of the national legislation with the *Acquis*, has ended.

SHORT-TERM PRIORITIES

According to the initial results of the analysis on the degree of harmonisation of the national legislation with *Acquis*, a procedure for amending the Law on Labour Relations and the Law on Employment and Insurance in Case of Unemployment will commence. After the conclusion of the analysis, a time schedule for further harmonisation of the labour legislation with the *acquis* will be prepared.

Due to separation of the registration of the unemployed that actively seek work from the registration of persons that are registered as unemployed, only for exercising of the right to health insurance, amendments to the Law on Employment and Insurance in Case of Unemployment will be drafted.

In the direction of strengthening the institutional capacity of the Ministry of Labour and Social Policy, realisation of several training and seminars are planned, which will contribute to the promotion of the knowledge and the skills of the servants, regarding the European legislation and the positive experiences and practices in the part of the preparation, harmonisation and implementation of the regulation in the field of the Labour Law. Training and workshops will be realised, where the *acquis*, in the field of the Labour Law, will be presented in details, training will be held on the manners and techniques of approximation of the national legislation and on preparing the tables of concordance.

In addition to that, in the upcoming period, the capacities of the Ministry of Labour and Social Policy, on the issues in the field of Labour Law, will be additionally strengthen through new employments of experts. In the Unit for Labour Relation and Employment, within the frameworks of the Sector for Labour, employment of two new persons in 2008 and two in the course of 2009 is planned, part of whom will be engaged for issues in the field of the Labour Law and its approximation.

Having regard the current situation in the part of the organisational structure, the competences and the available personnel, and with an aim for further building of the administrative structure and the capacities of the Ministry of Labour and Social Policy, in the upcoming period, the need of transforming the organisational structure of the Sector for Labour will be assessed, thus the Unit for Labour Relations and Employment would be divided in two Units: Unit for Labour Law and Unit for Labour Market.

In the State Labour Inspectorate, the legal and the administrative frameworks will be analysed, after which, a plan for promotion of its work will be prepared, new personnel competent for the issues of labour relations will be employed and training for implementation of the legislation, in accordance with the *acquis* and the European practices, will be realised.

MID-TERM PRIORITIES

Due to further harmonisation of the labour legislation, in accordance with the prepared Plan for Approximation of *Acquis*, amendments of the current or, if a need arises, new Laws will be adopted. The harmonisation will encompass the Directives on informing and consulting the workers, the working conditions, the antidiscrimination and the occupational health and safety.

Capacity building of the Ministry of Labour and Social Policy and the State Labour Inspectorate will continue through the establishment of the specific needs of the employees for implementation of the Labour Right and acquaintance with the European practices.

FOREIGN ASSISTANCE

Analysis and assessment of the position of the State Labour Inspectorate regarding the legal and administrative framework, within the frameworks of a Dutch grant, which commenced in March 2007.

In the course of September 2007, the public campaign for the fight against the undeclared work commenced, financially supported by USAID.

In November 2007, the CARDS Project commenced: Employment Policy – 3rd phase

In February 2008, the CARDS Twinning Project for harmonisation of the national legislation with the EU labour legislation will start.

OCCUPATIONAL HEALTH AND SAFETY

CURRENT SITUATION

With the Law on Occupational Safety and Health (Official Gazette of the Republic of Macedonia No. 92/07), the basic principles and minimal requirements for safety and health of the employees has established, in accordance with the Framework Directive 89/391/EEC.

The Law provides basis for adoption of bylaws, Rulebooks for further transposition of the EU Directives in this field. The following Rulebooks have been adopted and entered into force:

- Rulebook on occupational safety and health during the use of the working equipment (Official Gazette of the Republic of Macedonia No. 116/07), aligned with the Council Directive 89/655/EEC from the 30 November 1989 on the minimum safety and health requirements during the use of the working equipment by the workers at work;
- Rulebook on personal protective equipment used by workers at the work (Official Gazette of the Republic of Macedonia No. 116/07), aligned with Council Directive 89/656/EEC from 30 November 1989 on the minimum safety and health requirements for using personal protection equipment by workers at work;
- Rulebook on signs for occupational safety and health (Official Gazette of the Republic of Macedonia No. 127/07), aligned with Council Directive 92/58/EEC from 24 June 1992, on the minimum safety and/or health signs requirements.
- Rulebook on occupational safety and health during manual handling of loads (Official Gazette of the Republic of Macedonia No. 135/07), aligned with Council Directive 92/58/EEC from 29 May 1990, on the minimum safety and health requirements for manual handling of load which represents an extraordinary risk of back injuries of the workers;

In the past period, capacity building for inspection supervision on the implementation of the Regulation in the field of occupational safety and health, as well as intensifying the scope of the conducted controls, is underway. Also, appropriate promotional activities for familiarising the relevant entities with the Regulation and its implementation were realised.

In that direction, in cooperation with the Employers' Organisation, four regional seminars were realised, in order to familiarise the employers with the novelties, provisions and the manner of implementation of the new Law on Occupational Safety and Health. Holding such or similar seminars and workshops is planned for the following period.

In the direction of additional capacity building of the State Labour Inspectorate, the Ministry of Labour and Social Policy held several seminars aimed for the inspectors, on the subject of "State Inspectorate Capacity Building for Fight against Trafficking with Human Beings and Illegal Migration".

At the moment, the implementation of a Project on State Labour Inspectorate Capacity Building, financed by a Dutch grant, is underway, within which frameworks an Analysis of the situations in the Inspectorate and identification the needs for capacity building, will be prepared.

SHORT-TERM PRIORITIES

The main priority in the upcoming period will be continuation of the commenced process of harmonisation of the National Regulation with the European Directives in the part of Occupational Safety and Health.

In the course of 2008, preparation of seven Rulebooks is planned, harmonised with the relevant Directives, such as: rulebook on establishing the minimum safety and health requirements at work and at mobile construction sites, as well as rulebooks on occupational safety and health in conditions of risks of explosion, exposure to asbestos, noise, vibrations and electromagnetic radiation.

In the first half of 2008, in accordance with the provisions of the on Law on Occupational Safety and Health, establishment of Council for Occupational Safety and Health was envisaged, as Governmental Advisory Expert Body on the issues in the field of occupational safety and health.

In the upcoming period, building administrative capacities will be carried out, for consistent implementation of the legal regulation in the part of occupational safety and health. In that direction, various activities for capacity building, increasing of knowledge and expertise of the State Labour Inspectorate's inspectors will be carried out. Part of these activities will be supported through the realisation of SLI's project for capacity building, within which framework a detailed analysis of the situations in the Inspectorate, as regards the institutional and legal framework, organisational setup, activity analysis, the current equipment and use of IT technology, and assessment of the needs for training and professional courses, the needs for purchasing of equipment etc, will be also carried out. Based on the results of the conducted analysis, a Strategy for Promotion and Modernisation of the Work of SLI will be prepared, as well as an appropriate Action Plan for its implementation.

In the direction of capacity building of the inspectors, realisation of various training, seminars, and workshops is envisaged for acquaintance with the legislation and its implementation, for acquaintance with the European regulations, experiences and practices in preparing and implementation of the regulation etc. An exchange of experiences with experts in the field of occupational safety and health within the bilateral cooperation with Member States of the EU, and with experts from the International Labour Organisation, is envisaged.

For additional capacity building, in the course of 2008, employment of 9 professionals in the State Labour Inspectorate is envisaged.

Also, strengthening of the cooperation with the social partners will be carried out, in direction of Regulation promotion in the field of occupational safety and health.

MID-TERM PRIORITIES

In the direction of further harmonisation with the relevant Directives, in the course of 2009 and 2010, adoption of eight Rulebooks in the field of occupational safety and health has been envisaged.

Rulebooks on Occupational Safety and Health in conditions of existence of risks of carcinogenic and mutagenous substances, risk of exposure to biological substances, exposure to chemical substances, as well as the Rulebook on establishing the maximum permitted concentrations of harmful gasses, the Rulebooks on medical treatment on board vessels, minimum safety and health requirements for work on board fishing vessels and Rulebooks on safety and health of workers in the mineral-extracting industries through drilling and safety and health protection of workers in surface and underground mineral-extracting industries.

For the purpose of defining the strategic directions of the future development in the field of occupational safety and health, adoption of National Programme for Occupational Safety and Health is envisaged, after which, an Action Plan on Practical Implementation of the Programme will be drafted.

Activities, in the direction of further administrative capacity building of the State Labour Inspectorate and improvement and promotion of the implementation of the current regulation in the field of occupational safety and health, will be planned and realised.

FOREIGN ASSISTANCE

In the State Labour Inspectorate, the implementation of a project, financed by a Dutch grant for SLI capacity building, is underway, within which framework, a Strategy for Promotion of the operation and modernisation of SLI will be prepared, as well as an appropriate Action Plan for its implementation.

SOCIAL DIALOGUE

CURRENT SITUATION

In 2007, within the social dialogue on bipartite level, the following Branch collective agreements have been concluded:

- Collective Agreement regarding workers in the tobacco industry (Official Gazette of the Republic of Macedonia No. 65/07);
- Collective Agreement on protection associations of Macedonia (Official Gazette of the Republic of Macedonia No. 119/07);
- Collective Agreement on textile industry of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 137/07);

In the past period, the work of the Economic and Social Council that holds sessions on a regular bases, where various issues are being discussed, relevant for the social partners and functioning of the social dialogue, was intensified.

In addition to that, in the course of 2007, various activities (seminars, workshops, conferences, study visits) were organised, which were directed towards the capacity building of the social partners and towards the motivation of their active participation and contribution to the functioning of the social dialogue. Within the seminars, training, workshops and study visits, in addition to representatives of the organisations involved in the Economic and Social Council, other workers and employers' organisations were also included.

SHORT-TERM PRIORITIES

One of the identified weaknesses that affects the functioning of the social dialogue is the non-existence of clearly defined criteria for representativeness. To the end of overcoming this situation, revision of the legal framework for functioning of the social dialogue, in direction of defining clear, accurate and objective criteria for representativeness of the social partners, is planned, which will contribute to more efficient functioning of the social dialogue at all levels, and will incite the bipartite social dialogue, for the purpose of harmonisation of the branch collective agreements with the general collective agreements. It will also provide inclusion of more workers and employers' organisations in the work of the Economic and Social Council.

In the past period, harmonisation of the contents of the General Collective Agreement for the Public Sector was underway, which regulates the rights and obligations of the workers and the employers in the public sector of the Republic of Macedonia, the terms and the manner of exercising the rights and obligations, as well as the procedures for settling the mutual disputes. Signing of the General Collective Agreement for the Public Sector was planned for the beginning of 2008.

In the following period, intensified promotion and incentive of the tripartite social dialogue on a local level is envisaged, as well as promotion of the bipartite social dialogue on an enterprise level.

The legal framework for functioning of the tripartite social dialogue on a national and local level, will be concluded with the adoption of a new Agreement for the Economic and Social Council.

For the purpose of providing more efficient support and improved functioning of the issues in the field of social dialogue and collective agreement, in the following period, further staffing of the Sector for Labour within the Ministry of Labour and Social Policy is planned.

In 2008, employment of new persons is envisaged, from whom, one will be employed in the Unit for Social Partnership and two in the Unit for Salaries.

Special attention will be paid to the organisation of educational and promotional activities for the purpose of raising the awareness and capacity building for functioning of the social dialogue on all levels.

Workshops, seminars, training, campaigns will be organised for capacity building of the social partners for active participation related to the issues in the field of policies for employment and labour relations, as well as relative to the issues in the field of the functioning of the European social dialogue, Sectoral social dialogue, as well as the social dialogue on enterprise level.

For the purpose of incentive for the social dialogue on local level, establishment of tripartite bodies of social partnership will be incited and promoted, in which the issues of local importance will be discussed.

MID-TERM PRIORITIES

One of the priorities, with a view to the social dialogue, will be the provision of active participation of the social partners in the creation and leading of the policies and measures in the economic and social field, in the elaboration, designing and implementation of the legislation, within the working groups and the Economic and Social Council.

Further strengthening of the tripartite social dialogue on a national and local level, as well as the bipartite social dialogue, through training and seminars, where the importance of the collective agreement, the information exchange and leading of dialogue between the social partners will be emphasised.

Also, in the following period, additional capacity building is envisaged within the Ministry of Labour and Social Policy in the domain of the social dialogue and collective agreement through employment of 4 persons (2 in the Unit for Social Partnership and 2 in the Unit for Salaries).

FOREIGN ASSISTANCE

With the support from USAID, the realisation of the Project "Social Dialogue and Local Economic Development in the Republic of Macedonia", with an aim to promote the social dialogue on a national level and development of the social dialogue on a local level, is underway. The Project will last until the middle of 2008.

In cooperation with MES, the social partners will be included in the Project "Consolidation of the Legal and Institutional Bases of the Social Dialogue in the Western Balkan Countries and Moldova", which is envisaged to commence in the first quarter of 2008.

3.19.2 EMPLOYMENT POLICY AND EUROPEAN SOCIAL FUND

CURRENT SITUATION

EMPLOYMENT POLICY

The Employment Policy, which is implemented in the Republic of Macedonia, is in the direction of realisation of the commenced process of reforms in this field.

In accordance with the National Employment Strategy, for the period until 2010, and the National Employment Action Plan 2006-2008, in the course of 2007, amendments to the Law on Employment and Insurance in Case of Unemployment (Official Gazette of the Republic of Macedonia No. 29/07) have been drafted, which provide most of the means of the contribution for employment, paid by the employers, to be used for financing the active employment policies and measures.

The Ministry of Labour and Social Policy, in cooperation with the Macedonian Trade Union Confederation and with support from the USIAD Project on Business Environment, in the period from September to December 2007, conducted a public campaign "Stop for the Undeclared Work", whose aim is to legalise the working relation of the employees that work in the grey economy, thus contributing to the overall economic development, increasing of the employment and decreasing of unfair competition.

In November 2007, the implementation of the CARDS Project "Employment Policies - third phase" commenced. This Project, as a continuation of the previous two Projects in this field, will be implemented within the period of 18 months, and will provide additional assistance, support and capacity building of the relevant institutions in the process of implementation, monitoring and evaluation of the employment policies, further modernisation and improvement of the services and the method of work of the Employment Agency of the Republic of Macedonia, as well as capacity building of the social partners.

In the course of 2007, the Operational Plan on Active Employment Policies and Measures for 2007 was implemented, directed towards various vulnerable target groups of unemployed persons: support for self-employment of long-term unemployed persons and youth, support for first employment of youth up to 27 years of age for practice, public issues within the Self-government Units; subsidies for employment of single parents, disabled people and orphans; engaging unemployed persons from the least developed regions for construction works and ecological projects, training, prequalification or further qualification for a known employer and advices for new qualifications, contacts with employers, knowledge and skills improvement, training for work with computers, foreign languages.

EUROPEAN SOCIAL FUND

In accordance with the Article 7 of the Council Regulation 1085/2006 from 17 July 2006, on establishing an Instrument for Pre-Accession Assistance (IPA) and with the Articles 154 and 155 of the Council Regulation 718/2007 for implementation of the IPA, in the course of 2007, two Multi-Annual Documents for Programming of the Pre-Accession Assistance were prepared in the part of the Human Resources Development Component. The Strategic Coherent Framework 2007-2013 on the IPA components for regional development and human resources development and Operational Programme on Human Resources Development 2007-2013.

The Operational Programme on Human Resources Development 2007-2013 establishes the priorities and the types of the projects, which will be financed by the IPA Funds:

- employment- attracting and maintaining more people at the labour market;
- education and training - investing in human resources through better education and training;

- social inclusion - promotion of inclusive labour market.

At the same time with the conclusion of the programming process, the preparations for implementation of the Operational Programme have been intensified.

IPA Units within the MLSP and MES will be responsible for the technical implementation of the Projects, for monitoring the implementation of the Projects and for directing the work of the Sectoral Monitoring Committee through preparation of annual and final reports on the quality of the Operational Programme implementation .

The responsibilities delegation will be made formal by the end of this year, immediately after the ratification of the Framework Agreement on IPA, by signing an Operational Agreement between the Manager and the Operational Structure and the Senior programme servants within the Ministries.

SHORT-TERM PRIORITIES

EMPLOYMENT POLICY

As a main and basic priority in the following period, will be the implementation of the policies, activities and measures, defined within the National Employment Strategy, as well as within the National Employment Action Plan. The implementation of the prepared Operational Plan on Active Employment Policies and Measures for 2008 is also in that direction:

- self-employment of youth up to 27 years, women and long-term unemployed persons
- formalisation of existing businesses
- training, retraining and additional training
- subsidizing of employment of parentless children, disabled persons, single parents and senior citizens (55-64 years)
- employment assistance by means of traineeship for persons up to 27 years.

Improvement of the legal conditions for employment will be made through amendments of the Law on Health Insurance for the purpose of decreasing the minimum level for the health insurance contributions from 65% to 50%.

Having regard the importance of the "local dimension" during the preparation of the plans on economic development and the plans on increasing the employment, it is envisaged that, in the following period, special attention should be paid to the preparation of local employment action plans, in accordance with the already established practice of creating employment action plans on a national level, as well as the European guidelines and experiences in this field. In the course of 2008, "piloting" of this approach is planned, through preparation of Local Action Plans for Employment in five selected Municipalities. For successful preparation of these Action Plans, in which, in an appropriate manner the specific local conditions, needs and possibilities will be taken into consideration, local partnership and cooperation between the relevant entities will be established on a local level, including the local self-government, local Employment Centres, social partners, NGOs, training providers and other relevant entities.

Having regard to the identified need of further significant administrative capacity building, in the part of creating policies, programmes and employment measures and also in the part of their practical implementation, monitoring and assessment of the success and the achieved results, in the following period, great attention will be paid to the realisation of number of activities, which, above all, will mean capacity building of the entities in this field. Part of the planned capacity building activities will be realised with support within the framework of the CARDS Project "Employment Policies – phase 3".

Having regard to the current situation in relation to the organisational structure, the competences and the available personnel, and with an aim for further strengthening of the administrative structure and the capacities of the Ministry of Labour and Social Policy, in the part of creation and monitoring of the employment policies, in the upcoming period, the need of transforming the organisational structure of the Sector for Labour will be assessed, thus the Unit for Labour Relations and Employment would be divided in two Units: Unit for Labour Law and the Unit for Labour Market.

One of the main priorities in the following period will be the establishment of a functional system for monitoring and evaluation of the implementation of the National Employment Strategy and the Action Plan for Employment, pursuant to the European principles and experiences and the use of EU indicators for employment. Appropriate practical training will be organised for persons that will be directly included in the monitoring and reporting on the implementation of the policies for employment and the main strategic documents in this field.

In the area of employment, more training, seminars and other activities for the experts knowledge and skills improvement have been envisaged, in relation to the creation of the policies for employment and the strategic documents, design of active policies for employment, evaluation of the results from their implementation, as well as in relation to the functioning and administrating the programmes supported by the European Social Fund, the positive European practices and experiences, etc.

In addition to the organisation of training, within the frameworks of the Labour Sector, employment of two new persons in 2008 and two in the course of 2009 is planned, part of whom will be engaged for issues in the part of the employment policies.

Activities for administrative capacity building of the Employment Agency of the Republic of Macedonia will be undertaken in continuation, in the part of successful implementation of the employment policies and analysis of the labour market and establishing the needs, improvement and modernisation of the work with its clients - the employers and unemployed persons.

It was planned that promotional activities (brochures, flyers, web information etc.) will be realised, in the direction of approximation of the Employment Agency to its clients, through service promotion, presentation of the necessary information, as well as the realised results in the operation, as well as implementation of the measures of the labour market.

In addition, procurement of new IT equipment is planned, which will provide technical further staffing and modernisation of the Agency and the network of local Employment Centres.

In the following period, the need for establishing special Unit that will work on the issues, regarding direction to work of Macedonian citizens abroad and employment of foreigners in the Republic of Macedonia, as well as establishing special Unit competent for the issues of employment of persons with special needs (disabled persons), will be assessed.

EUROPEAN SOCIAL FUND

Basic priority in this field is to achieve efficient use of the Pre-Accession Assistance within the component 4 of the IPA.

For that purpose, establishment of mechanisms for efficient and effective coordination and management of the OP (programming, implementation, monitoring and assessment of the implementation of the Operational Programme) are necessary.

After the transfer of the authorisation for management with the National IPA structure and signing the Financial Agreement for the component 4, between the Government of the Republic of Macedonia and the European Commission, the implementation of the Operational Programme will commence through preparation and initiation of the first IPA projects. In 2008, activities for acquaintance of the public, and especially the potential users with the assistance provided through IPA will be undertaken.

In the direction of effective use of the pre-accession assistance, in the following period, intensive establishment and development of the necessary institutional and administrative capacity for managing and absorption of the IPA will be undertaken.

In 2008, preoperational activities for accreditation and transfer of the authorisation for management of the National IPA structure will be undertaken by the EC (in accordance with the Action Plan for Preparation of DIS for the IPA):

- Further staffing of the Units for IPA within the MLSP and the MES, in accordance with the envisaged work posts in the act on systematisation and the conducted analysis of the scope of the work.
- Implementation of appropriate training for the employees in the Units, in accordance with the Annual Plan for training and results of the working (programming training, EU public procurements - PRAG, monitoring and evaluation, irregularity management, project cycle management)
- Development of all necessary internal procedures and rules, following the guidelines of the Sector for Central Financing and concluding agreements within the Ministry of Finance.

In function of establishing functional programme monitoring system, the Sectoral Monitoring Committee for the component 4 will be established and it will commence its work.

MID-TERM PRIORITIES

EMPLOYMENT POLICY

Basic priorities, in the part of the mid-term employment policies, are monitoring of the of the employment policies' activities implementation, evaluation of the achieved results from the implemented measures and policies, as well as the use of these results and evaluations in the cycle of creating policies and measures and preparing Action Plans on a national and local level, and Operational Programmes on employment. At the beginning of 2009, the preparation and adoption of the National Employment Plan for the period 2009/2010 has been planned.

Within the Employment Agency of the Republic of Macedonia, courses and training of the employed will continue, for the purpose of their capacity building for more successful performance of their working tasks, and the activities for promoting the policies for employment, informing on the activities and services available for the unemployed persons and employers will continue.

Further capacity building of the relevant entities in the creation, implementation, monitoring and evaluation the successfulness of the employment policies through training, seminars and workshops is necessary.

EUROPEAN SOCIAL FUND

From a mid-term aspect, Operational Structure's priority task is to provide efficient and effective implementation of the Operational Programme for Human Resources Development and monitoring its implementation.

The first evaluation and execution of the OP will be conducted and the need for its revision will be assessed.

From a mid-term aspect, it is necessary to promote the institutional capacity for management and absorption of the IPA. In that direction, activities for preparation of the Ministry of Labour and Social Policy and the Ministry of Education and Science will be undertaken, for the purpose of independent and full execution of the Operational Structure function for the fourth IPA component. The possibility for full execution of the Operational Structure functions will be examined by the line Ministries, as well as the need and the possibility to delegate the matters related to the preparation and implementation of the Projects within the frameworks of the Operational Programme in the field of employment to the Employment Agency of the Republic of Macedonia. Preparation activities, further staffing and technical equipping of the IPA Units/Sectors within the Ministry of Labour and Social Policy and the Ministry of Education and Science will be undertaken, for the purpose to undertake the execution of the function of the Operational Structure for the fourth IPA component, independently and fully (it is expected to happen after 2010).

FOREIGN ASSISTANCE

EMPLOYMENT POLICY

The implementation of the CARDS Project is underway. Supporting the employment policy – phase 3, which is a continuation of the previous two projects in this area and will provide additional assistance, support and capacity strengthening of the relevant institutions and players in the process of implementation, monitoring and evaluation of the employment policies, further modernisation and improvement of the services and the manner of operation of the Employment Agency of the Republic of Macedonia, and capacity strengthening of the social partners.

The implementation of a Project, within the Employment Agency of the Republic of Macedonia and financed by USAID is underway, within which framework a software solution is being designed, which will provide the private sector employers to carry out establishment or cessation of the labour relation with the workers through a web portal.

EUROPEAN SOCIAL FUND

- Building of the administrative and institutional capacity of the Operational Structure for the component 4 in the field of preparation, management, monitoring, evaluation and control of the activities, envisaged with the OP, will be supported with technical assistance within the priority 4 of the OP for Human Resources Development. For preparation of particular projects, as well as for improvement of the internal procedures and processes of programming and implementation of the OP, technical assistance within the first IPA component (Projects preparation assistance and Capacity Building for Management with EU) will be used, which will supplement the technical assistance in the component 4.
- Until the moment of accreditation, short-term training of the employed in the MLSP, EARM and the MF and other relevant institutions will be conducted, in cooperation with foreign donors and organisations. ETF, UNDP, CARDS Project for DIS, CARDS Project on supporting the policies for employment-phase 3.

3.19.3 SOCIAL INCLUSION

CURRENT SITUATION

In the part of implementation of policies and measures for social inclusion, during the past period, special attention was paid to the strengthening of cooperation with the NGO sector, as a partner in the creation of regulatory mechanisms, in the part of identifying the needs, establishing the standards for service quality, licensing/accreditation for service provision for extra-institutional protection, monitoring and evaluation, as well as its participation in all phases of implementation of the strategic documents, as a partner in the provision of extra-institutional forms of protection.

Social services have been improved through establishing Day-care centres for children with mild or severe intellectual disabilities, for street children, for drug abusers and other forms for protection of domestic violence victims, for sheltering homeless persons and provision of one hot meal for old and mature people exposed to social risk.

The process of deinstitutionalisation is being supported through fostering in fostering families, where a total of 190 parentless children and children without parental care have been fostered.

In the course of 2007, a Programme on Re-socialisation and Reintegration of Children Victims of Trafficking in Human Beings will be adopted. In accordance with this Programme, the Centres for Social Services are obliged, within their work, to prepare individual programmes for re-socialisation and reintegration of each case separately. For the contents of this Programme, several training courses were organised with participants from the Centres for Social Services, the Police and NGO representatives.

Regarding the implementation of the activities for inclusion of the Roma in the Republic of Macedonia, the Ministry of Labour and Social Policy allocated means for two projects:

- Inclusion of Roma children in pre-school education (kindergartens), project financed by the Roma Educational Fund from Budapest, which was realised in 15 kindergartens throughout the Republic of Macedonia, where in the course of two years, 450 Roma children at 4.5 – 6 years of age will be encompassed. The implementation of the Project commenced in October 2006.
- Opening of *Roma Information Centres* for the purpose of informing, assistance and support of the Roma ethnic community members in the realisation of their practical needs and their faster integration, in accordance with the four priority areas of the Roma Decade and Strategy. Within this Project, in the course of 2007, eight (8) information centres for the Roma community were opened, which represent a link between the Roma community and the institutions on a local level. The implementation of this Project commenced in March 2007 and is a partnership project of the MLSP with 8 Roma NGOs.

At the same time, several Projects are being implemented, directed towards the strengthening of the Roma inclusion in the education, projects for improvement of the success and the rate of keeping Roma in the pre-school and elementary education, projects for increasing the number of Roma with finished secondary education, provision of scholarships and mentor assistance for the Roma students, etc.

In the past period, several activities were realised towards the infrastructure improvement in the settlements, where mostly Roma population lives. Financed by the Budget of the Republic of Macedonia, the local self-government, as well as by other foreign donations, projects for building and improvement of water-supply and drainage systems, for designing urban plans, streets reconstruction, etc., have been realised.

Programmes and activities for inclusion and bigger coverage of the Roma population in the system of health protection and improvement of the approach to the health services are being realised. Activities for regular vaccination of the Roma children, education for prevention of HIV/AIDS transmission within the Roma community, control and education on tuberculosis are being conducted, as well as conducting free gynaecological checks of the Roma women etc.

SHORT-TERM PRIORITIES

In the first quarter of 2008, the National Strategy for deinstitutionalisation within the Social Protection System, as well as an Operational Plan for Implementation of the Strategy's first phase will be adopted. Working Groups consisted of experts will be established, which will prepare detailed analyses of the situations and Action Plans for deinstitutionalisation of the protégés from the Social Protection Facilities, envisaged for transformation in the first phase. In the function of successful implementation of the deinstitutionalisation activities, preparation and defining the necessary norms and standards for self-supporting life of the users that will be deinstitutionalised from the institutions will be carried out.

Within the activities for implementation of the National Strategy for Protection from Domestic Violence, more activities have been planned: establishing a Coordination Body for strategy, preparing Action Plans for Implementation of the Strategy by the relevant institutions, establishing a system for keeping records of the cases of domestic violence in the country.

One of the priorities of the following period will be the improvement and promotion of the policies for the rights and equal approach of the persons with disabilities. As a result of the established need for revision of the National Strategy for Equal Rights for the Persons with Disabilities in the Republic of Macedonia (Official Gazette of the Republic of Macedonia No.101/00), due to its obsolescence and the incompatibility of the current needs, as well as due to its harmonisation with the EU recommendations, its revision is envisaged in the course of 2008. An Inter-ministerial Working Group will be established, which will prepare an analysis of the current Strategy and will prepare the necessary amendments.

By the end of 2008, preparation of strategic documents is planned, which will define the policies for migration and integration of the refugees and foreigners and which will be harmonised with the European practices and positive experiences in this field.

In the part of the Roma inclusion activities, the implementation of the Strategy for the Roma in the Republic of Macedonia will continue, as well as the Action Plans, in accordance with the Roma Inclusion Decade 2005-2015. Preparation of Action Plans for practical realisation of the policies for Roma inclusion in the areas, such as human rights and political participation, inclusion of the Roma women, Roma culture, social inclusion, has been planned.

Opening of additional 4 Roma Information Centres is planned.

In the field of the social inclusion, further administrative capacity building of various entities, included in the provision of protection of the socially excluded persons will be carried out.

Promotional activities for awareness raising, gaining knowledge and strengthening the cooperation with the local authorities and the NGO sector are planned for their active participation in the implementation of the deinstitutionalisation policies. By the means of public announcement, agreements will be concluded for cooperation with NGOs and participation in provision of the necessary finances for realisation of projects and service provision in the field of social protection and social inclusion.

With regards to the implementation of the National Strategy for Domestic Violence Protection, establishing one National Coordination Body is planned, which will be competent for coordination and monitoring of the Strategy implementation. Training will be organised for the experts of various profiles and institutions for acting in the cases of domestic violence, as well as for work with the perpetrators of domestic violence.

The envisaged activities will be in function of capacity building of the relevant institutions, local self-government and the NGO sector for participation in the Open Method of Coordination.

Actions will be carried out for widening of the current network of extra-institutional forms of protection of the socially excluded categories (street children, homeless children and children with special needs).

In the course of 2008, significant administrative capacities are planned for coordination and monitoring of the programmes and activities for inclusion of Roma. A special unit will be established within the Ministry of Labour and Social Policy, competent for coordination and monitoring of the implementation of all activities realised in accordance with the Strategy for Roma and the Action Plans of the Roma Inclusion Decade, and it will prepare regular reports on the realised activities and achieved results, it will provide immediate cooperation with the Roma Information Centres, Roma NGOs etc. In the course of 2008, and in 2009, employed of two more persons is planned in this Unit.

MID-TERM PRIORITIES

On a mid-term plan, actions for implementation of the strategic documents will be carried out, including the projects and activities envisaged in the Strategy for Deinstitutionalisation and the prepared Operational Plan for implementation of the first phase (2008-2010) of the Strategy Realisation, as well as the activities envisaged in the Strategy for Domestic Violence Protection and the appropriate Action Plans and the Strategy for Integration of Refugees in the Republic of Macedonia.

At the beginning of 2009, after the adoption of the revised National Strategy for Equal Rights of the Persons with Disabilities, an Operational Plan is planned to be drafted for the implementation of the Strategy, and to start with the implementation of the envisaged measures and activities.

Continuous administrative capacity building will be carried out, as one of the most significant conditions for successful and efficient creation and implementation of the policies, programmes and measures in the field of social inclusion and social protection.

In this direction, attention will be paid to the growing promotion of the need for active involvement of the remaining entities on a national and local level (local self-government, civil sector etc.) included in the provision of protection of the socially excluded persons.

FOREIGN ASSISTANCE

UNICEF's office has provided support in the realisation of the project "Reforms in the Children's Protection System" with special attention to the process of deinstitutionalisation of the parentless children and children without parental care, children with developmental challenges, children with educational and social problems, through developing alternative forms and their fostering.

Open Society Institute SOROS – Macedonia, through the Project for Transformation of the Special Institute in Demir Kapija, through developing alternative forms for fostering persons above 18 years of age with intellectual disabilities.

GTZ- German Technical Assistance Office through the Promotion of the Treatment of the Person With Developmental Challenges Project, where expert assistance is being offered during the harmonisation of the legal regulation with the EU Legislation and establishing regulation mechanisms in the field of social protection services (licensing, monitoring and evaluation).

Roma Education Fund - financing projects in the field of Roma education.

3.19.4 SOCIAL PROTECTION

CURRENT SITUATION

With the amendments of the Law on Social Protection in March 2007, prohibition of discrimination is incorporated in this field, thus transposition of the EC Directive 2000/43/EC is carried out, implementing the principle of equal treatment between persons

irrespective of racial or ethnic origin. Exercising the rights of the social protection for the asylum seekers, persons with refugee status and persons under humanitarian protection, established in the Law on Asylum and Temporary protection, was provided.

At the beginning of 2008, the Law on the Voluntary Fully Funded Pension Insurance (Official Gazette of the Republic of Macedonia No. 7/08 from 15.01.2008) was adopted, concluding the reform of the Pension System in the Republic of Macedonia from a normative and legal aspect. This Law conducts transposition of the EC Directive 2003/41/EC on the professional pension funds. Practical operation of the third pension pillar is expected to start from the middle of 2008.

Strengthening of the social protection system has commenced, through pluralisation in the field of submitting requests for establishing private facilities for social protection of elderly people. Private Day-care Centre for children with disabilities was established.

In the direction of administrative capacity building for implementation of the social protection policies and social inclusion, in the course of 2007, several training courses were realised for the experts from the Centres For Social Services and the Social Protection Facilities, for the purpose of their capacity building for implementation of various forms of protection of various categories of users. This training encompassed topics in the field of implementation of the measures, supervision of exercising the parent right, working with children's parents with bad behaviour, working with autistic children, training to the experts for work in the day-care centres for children, for work in the day-care centres for drug abusers etc.

In the course of 2007, a procedure for establishing a facility for reception of asylum seekers was implemented.

The current network of public facilities for children - kindergartens, transferred to the Local Self-government Units, was strengthened with the establishment of two clones, thus improving the availability in the rural environments. The total available capacity in the kindergartens is 22, 541, and the rate of the use of the capacities is approximately 92%.

SHORT-TERM PRIORITIES

In the field of the social protection, in the first half of 2008, adoption of new Law on Social Protection and Social Security is planned, which will provide introduction of a reformed system of monetary remunerations, it will provide better standardisation of the terms, manner and procedures for exercising the financial rights of the social protection. Such provision from the Law will provide conditions for better and more efficient targeting of the most threatened categories of citizens. The administration of the monetary remunerations will be unified and modernised through designing and implementing an integrated information system, which will create quality and comprehensive data base of the users of various rights from the social protection system, as well as the necessary statistical indicators and information on the users.

After the adoption of the Law, bylaws will be prepared, regulating the issues for establishing the appropriate norms, standards, necessary professional personnel for functioning of social protection facilities, centres for homeless persons, small group homes, Rulebooks on the manners of keeping records and documentation on the users, facilities etc.

In the course of 2008, activities for preparation of a strategic document will commence, which will define the policies for development of the social protection, in the direction of further promotion of social services, system coverage of the most vulnerable categories of users and continuation of the process of decentralisation in the social protection.

With regard to the technical and human capacity building for successful and efficient implementation of the policies and programmes in the field of social protection, in the following period, several various activities will be undertaken.

Establishing a modern and integrated system is planned within the Ministry of Labour and Social Policy and the Centres for Social Services, through which, the administration and payment of the social benefits and services will be realised. For that purpose, procurement of the necessary hardware equipment and networking will be conducted, and an implemented and integrated data base and software application will be designed. This system is envisaged to be put in function by the end of the year.

At the same time with the implementation of the information system, the appropriate courses and training will be organised for the experts that will work thereof.

In the following period, further planning and realisation of activities will be carried out for administrative capacity building for implementation of the policies and measures of the social protection. Training and seminars will be organised for promotion and acquaintance with the legal solutions and their practical implementation, as well as for monitoring and evaluation of the policies and programmes of social protection.

The capacities of the Sector for Social Protection and the Sector for Social Inspection within the Ministry of Labour and Social Policy are planned to be additionally strength by new employments in the course of 2008.

MID-TERM PRIORITIES

The implementation of the reformed system for monetary remunerations within the system of social protection will be continuously monitored and evaluated, as well as the successful targeting of the most threatened categories of citizens.

After the adoption of the National Programme for Social Protection Development, in the course of 2009, the appropriate Action Plan for implementation of the Programme will be prepared and its practical implementation will commence.

Preparation and adoption of norms and standards for work of experts in the social protection facilities are planned.

Continuous capacity building will continue, through organising expert training, seminars and workshops, above all, for the Centres for Social Protection, for consistent practical implementation of the policies, programmes and measures in the field of social protection.

Special attention will be paid to the improvement of the resources and capacities necessary for successful monitoring and evaluation of the efficiency of the programmes in the field of social protection and social inclusion.

On a mid-term plan, employment of additional number of experts is envisaged within the Ministry of Labour and Social Policy; 6 new persons in the Sector for Social Inspection and 4 new persons in the Sector for Social Protection, who will strengthen the current capacities in the field of social inclusion of the socially threatened categories of citizens in the part of strengthening and deepening the partnership with the civil sector in provision of social services.

FOREIGN ASSISTANCE

The implementation of the SPIL Project is underway, financed by a loan from the World Bank, which among other things, envisages implementation of more activities directed towards the support of the programmes for social protection, i.e. supporting the efficient implementation of the reforms in the system of social protection, administrative and technical capacity building of the Ministry of Labour and Social Policy, in the part of the social services, monetary remunerations etc. In addition to the support in the part of legislative improvement and promotion in the field of social protection, the IT capacity building support, establishing ICT infrastructure and improvement and harmonisation of the IT systems and the data bases and establishing network for data exchange on the social benefits, is very important.

3.19.5 ANTIDISCRIMINATION AND EQUAL OPPORTUNITIES

CURRENT SITUATION

The Government of the Republic of Macedonia adopted the National Plan for Gender Equality Action, as a strategic document for promotion of the gender equality. The obligation of the Sector for Equal Opportunities, within the Ministry of Labour and Social Policy is, at the end of every current year, to prepare an Operational Annual Programme for implementation of the National Plan for action for gender equality, with the specifically established activities for the next year.

Starting from 2007, within the Ministry of Labour and Social Policy, the Sector for Equal Opportunities was established as an equality body, in accordance with the requests of the Directive 32002L0073.

In accordance with the Law on Equal Opportunities for Women and Men, Coordinators for Equal Opportunities were nominated within all Ministries within the Government of the Republic of Macedonia, competent and obliged for the introduction of the concept of gender equality in the policies and programmes under competence of the line Ministry.

Within the framework of the local self-government, in accordance with the Article 16 of the Law on Equal Opportunities of Women and Men, the process of harmonisation of the Statutes of the Self-Government Units and the implementation of the obligation of the Law on establishing a commission for equal opportunities of the counsels within the Self-Government Units, has commenced. Until now, 69 Commissions for equal opportunities for women and men were established within the Councils of the Self-Government (from a total of 84 Units of the Self-Government), which will ensure appropriate implementation of the Law on a local level.

Organised by the Unit for Gender Equality, in the course of 2007, 14 seminars/training were conducted on the topic of "Gender and Development" and "Introducing the Gender Concept in the Current Policies", intended for the entities included in the implementation of the Law on Equal Opportunities for Women and Men and promotion of the gender equality on a local and national level. These 14 training courses encompassed approximately 300 listeners.

In the course of November 2007, the Ministry of Labour and Social Policy commenced a campaign for prevention and protection from trafficking with women under the motto "It is simple..."

SHORT-TERM PRIORITIES

In the part of the antidiscrimination, in the course of 2008, the priority will be the preparation of a unique comprehensive Law on Antidiscrimination, aligned with the European legislation and the current positive practices in the EU Member States. For the successful realisation of this activity and active involvement of the relevant entities, Inter-ministerial Working Group will be established, in which the social partners and the NGO sector will take part. The Working Group, firstly, will prepare an analysis on the concepts of the current laws, with an aim to select the best concept, with regard to the Republic of Macedonia concerning the management of this issue.

Due to the fact that the definitions for discrimination, incorporated within the Law on Equal Opportunities for Women and Men, are harmonised with the Convention on elimination of all forms of discrimination against women (CEDAW), however not harmonised with the *acquis*, in the first half of 2008, the amendments of the Law will be drafted, thus providing harmonisation with the Directive 2002/73/EC.

In this period, realisation of activities is planned, towards harmonisation of the legal regulation in the field of education with the Law on Equal Opportunities for Women and Men, thus incorporating the gender concept in the curriculum and the professional training, and mechanisms for removing the prejudices and stereotypes related to the establishment of equal opportunities in the educational process would be provided.

Continuation of the activities, in direction of implementation of the Law on Equal Opportunities for Women and Men on a local level, will be carried out, within the Self-government Units.

In the first quarter of 2008, adoption of an Action Plan for the special needs of the Roma women is planned.

In addition, in the following period, continuous rising of the public awareness and informing on the existence of the need for prevention of human trafficking will be actively carried out, as well as implementation of the Programme for re-socialisation and re-integration of children, victims of human trafficking.

With regard to the institutional structures, the adoption of the Law on Antidiscrimination will provide creation of legal basis for establishing and functioning of a body for fight against all types of discrimination.

With regard to the need for administrative capacity strengthening, in the course of 2008, employment of 3 persons is envisaged in the Sector for Equal Opportunities. The increase of the number of employees in the Sector for Equal Opportunities will also provide larger capacity for implementation of the policies in the field of equal opportunities. One of the persons that will be employed in the Sector, in accordance with the legal provisions, will be the legal representative, competent for conducting the procedure for legal protection in case of unequal treatment of women and men. The legal representative will have status of a civil servant, within the Unit for Gender Equality.

In addition to that, realisation of larger number of activities is planned for improvement of the information and the expertise of the persons that work on the issues related to the antidiscrimination and the equal opportunities.

Training/seminars will be organised for the teaching staff in the elementary education on the gender concept and its inclusion in the educational process. Organisation of seminars is planned for promotion of the equal opportunities of women and men in the rural areas, for preventing violence on women, as well as seminars for strengthening of the participation and influence of women in politics.

Organisation of training is planned, for the purpose of capacity building of the experts of various profiles and institutions for preventing human trafficking and treatment of the victims of human trafficking, i.e. their acceptance and direction. In addition, in the first quarter of 2008, a unique system for recording the human trafficking victims,, citizens of the Republic of Macedonia and foreign citizens, will be established.

MID-TERM PRIORITIES

Upon the preparation and adoption of the Law on Antidiscrimination, in the period thereafter priority will be placed on the consistent and efficient practical implementation thereof.

The new legal proposals will be continuously monitored in the course of the process of their adoption from the aspect of the incorporation of the gender concept therein.

Work will be performed on the implementation of the priorities set forth in the National Action Plan for Gender Equality 2007-2012.

In accordance with the provisions of the Law on Anti-Discrimination, activities will be undertaken as required for the establishment and strengthening of the institutional mechanisms for efficient detection, escalation and penalty as regards any incidents of discrimination upon any basis stipulated in the Law.

Activities will be continuously executed aimed at the fortification of the administrative capacities for the implementation of policies and programmes in the sphere of equal opportunities and antidiscrimination.

FOREIGN ASSISTANCE

In the course of the year 2007, 14 two-day educational courses were conducted (two series comprising 7 training courses) for the representatives of the local self-governments (equal opportunities coordinators and members of the Commission for equal rights for women and men within the Local Self-Government Councils) regarding the gender concept and the development and introduction of the gender concept and the obligations of the local self-government arising from the Law on Equal Opportunities of Women and Men. The foregoing activities were supported by the Ministry of Foreign Affairs of the Kingdom of Norway.

The OSCE Mission supported the process of the preparation of the National Action Plan for Gender Equality 2007-2012.

Furthermore, in 2007, the OSCE Mission supported the functioning of the National Referral Mechanism for Human Trafficking Victims.

In the course of 2007, the IOM and the UNICEF supported certain activities aimed at training social workers, psychologists, pedagogues from the Centres for Social Services, labour inspectors, Ministry of Interior inspectors as regards organised crime, border police and representatives of the non-governmental sector.

Foreign support has been provided by the Ministry of Foreign Affairs of the Kingdom of Norway as regards the implementation of activities for the purposes of incorporating the gender concept in the sphere of education. Such activities will be implemented in the course of 2008, whereupon a project has been elaborated which has been approved by the Ministry of Foreign Affairs of the Kingdom of Norway.

3.20 ENTERPRISE AND INDUSTRIAL POLICY

3.20.1 PRINCIPLES OF ENTERPRISE AND INDUSTRIAL POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

The Republic of Macedonia developed strategic documents and programmes creating the economic policy (National Strategy for Integration of the Republic of Macedonia in the European Union, Pre-accession Economic Programme, National Development Plan) directed towards continuation of the reforms needed to achieve approximation to the principles, standards and recommendations of the EU. The economic policy is aimed at maintaining the macroeconomic stability, promotion of development and growth, reduction of unemployment, strengthening the competitiveness, improvement of the business climate, support for entrepreneurship and SMEs, stimulation of FDIs, strengthening the institutions, and supporting research, development and innovations; a great number of programmes have been developed to that effect. The documents signed with IMF (Stand-by arrangements) and the World Bank (PDPL2) also have their influence on economic policy by supporting the processes and the successful implementation of the reforms. The successfully completed PDPL arrangement presents an instrument of support of the economic policy and structural reforms that the Republic of Macedonia will undertake in order to strengthen its economic development, as well as appropriate preparation of the country for membership in the European Union. One of the reasons for implementing this arrangement is the application of the most effective instrument for support of the Programme of the Government of the Republic of Macedonia, which supports the key structural and institutional reforms in a range of sectors in the domestic economy.

INSTITUTIONAL FRAMEWORK

The key institutions in the creation and implementation of the enterprise policy are: the Government of the Republic of Macedonia, the Ministry of Economy, the Office of the Vice-Prime Minister for Economic Affairs - Sector for Economic Policies and Regulatory Reforms, other ministries, specialised agencies and other institutions and organisations.

As regards the institutional support of SMEs, the basic institutions that will be implementing the Government programs for SMEs is the Agency for Support of Entrepreneurship of the Republic of Macedonia. This institution has been established by a Law (Official Gazette of the Republic of Macedonia No. 60/2003).

In addition to the Agency, there is also a wide network of institutions providing support for the entrepreneurship and SMEs

- 10 regional funds for SMEs development,
- 4 centres for transfer of technology (3 in Skopje and 1 in Bitola),
- the European Innovative Relay Centre,
- 9 business incubators
- 6 clusters

Several (17) local centres for economic developments have also been established and these are expected to play a significant role in the development of entrepreneurial culture and spirit, which is of particular importance in the process of restructuring the Macedonian economy.

The role of the Agency for Foreign Investments - which has been strengthened in both administrative and financial terms - is also increasingly large.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The main priority is to define the Industrial Policy Strategy as an integrative proactive policy that will clearly define the priorities, goals, and measures and instruments in the creation of competitive economy. The entire process will integrate principles of the EU industrial policy. The policy will mainly have a horizontal approach, with a special industrial approach by means of restructuring strategies and programmes, where inevitable. All these measures and instruments will be aligned with the state aid.

As part of the BERIS Project (Business Environment Reform and Institutions Strengthening) agreed upon with the World Bank, funds have been provided for the development of an Industrial Policy Strategy, which covers: development of a benchmarking study, funds for expert assistance in the completion of a study on indicators of the competitiveness of the Macedonian industry, development of an Industrial Policy Strategy, strengthening the capacities of the Sector for creation and implementation of an industrial policy strategy through trainings and attendance of seminars, visit to the European Commission in Brussels, improvement of the technical equipment of the unit and the sector, raising the awareness about the need of industrial policy, a special software for continuous monitoring of the competitiveness indicators, etc.

INSTITUTIONAL FRAMEWORK

The plan includes strengthening of the operation and capacities of the Inter-agency Industrial Policy Working Group through conferences and seminars for coordination of policies, as well as of the capacity of the Unit for Industrial Policy within the Ministry of Economy to monitor the system for measuring the competitiveness indicators.

Strengthening the role of the National Entrepreneurship and Competitiveness Council (NECC) as a forum for dialogue and activities aimed at improving the business environment and international competitiveness of Macedonia. NECC is composed of representatives of the public and private sector and of the civil society, working together on improving the country's competitiveness. The plan is to attain the objective of promoting the country as an attractive place for investments through strengthening the administrative capacities of the Agency for Foreign Investments by hiring new economic promoters for various countries.

MID-TERM PRIORITIES

LEGAL FRAMEWORK

In accordance with the Programme for Promoting Investments in the Republic of Macedonia (2007 – 2010), the enactment of several new legal acts or amendments to the existing ones by various bodies of the administration and the institutions, ratification of agreements and adoption of new programmes is envisaged by the end of 2010, which will mean harmonisation with the EU legislation and with the best international practices. The plan is to also enact a Law amending the Law Establishing a Macedonian Agency for Support of Entrepreneurship.

Implementation of strategies and action plans adopted for the purpose of increasing the competitiveness of the Macedonian economy.

INSTITUTIONAL FRAMEWORK

The plan is to strengthen the capacities of the institutions creating and implementing the industrial policy and the other Government programmes.

FOREIGN ASSISTANCE

The preparatory activities related to the industrial policy strategy will be supported by the World Bank BERIS (Business Environment Reform and Institutional Strengthening) Project.

3.20.2 INSTRUMENTS OF ENTERPRISE AND INDUSTRIAL POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

Significant results have been attained in the process of improving the business environment, particularly with the implementation of the measures contained in the Programme for Encouragement of Investments in the Republic of Macedonia and the numerous activities of the Macedonian Agency for Foreign Investments.

The Programme for Improving The Competitiveness of Macedonian Products and Services on Foreign Markets in 2007, adopted by the Government of the Republic of Macedonia, includes activities supporting domestic companies in the quality and products systems certification, raising of public awareness about the importance of applying international standards in the production process, supporting companies in printing promotion materials and finding solutions for the design of products aimed at increasing the competitiveness and image of the Macedonian products, as well as supporting companies to connect to the Internet and take part in business fora, international fairs and seminars.

On 18 October 2007 the Republic of Macedonia signed the Memorandum for Cooperation, in order to participate in the Competitiveness and Innovativeness Programme (CIP).

As regards the Small and Medium-sized Enterprises (SME) Policy, the key legal acts regulating the operation of small and medium size enterprises are: The Law Establishing the Republic of Macedonia Agency for Support of Entrepreneurship (Official Gazette of the Republic of Macedonia No. 60/2003), Law on Craftsmanship (Official Gazette of the Republic of Macedonia No. 62/04), and the Company Law (Official Gazette of the Republic of Macedonia No.28/04, 84/05). Furthermore, additional 60 laws have been identified as partially treating both small and medium size enterprises in the Republic of Macedonia.

In relation to the implementation of the European Charter for Small Companies, the commitments of the revised Lisbon Strategy and the EU Competitiveness and Innovativeness Programme, the Government of the Republic of Macedonia adopted a 2007-2010 Programme for Development of the Entrepreneurship, Competitiveness and Innovativeness of Small and Medium-sized Enterprises, which serves as the basis for the one-year Programme for Development of Entrepreneurship, Competitiveness and Innovativeness of Small and Medium Size Companies, which set out the areas of utilisation of the entrepreneurship support funds provided from the state Budget for 2007.

The Council Directive 2000/35/EC has been transposed only partially in the Law on Obligations, which is in a stage of interministerial consultations.

INSTITUTIONAL FRAMEWORK

As regards the institutional support for the SMEs, the basic institution implementing the Government programmes for SMEs is the Republic of Macedonia Agency for Support of Entrepreneurship (ASE). This institution is established by law (Official Gazette No. 60/2003).

In addition to the Agency, there is also a wide network of institutions supporting entrepreneurship and the SMEs (10 regional funds for development of SMEs, 4 centres for transfer of technology – 3 in Skopje and 1 in Bitola, the European Innovative Relay Center, 9 business incubators, and 6 clusters).

Local centers for economic development have also been set up in several municipalities and these are expected to play a significant role in the development of entrepreneurial culture and spirit, which is of particular importance in the process of restructuring the Macedonian economy.

To improve the promotion of the country as an attractive place for investments, the Agency for Foreign Investments – Invest Macedonia hired three economic promoters for various countries; these promoters underwent trainings for the job until the end of 2007.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

By enacting the new Law on Promotion and Support to the Technological Development, the obligation to program the activity was defined (Four-year Government Programme for Technological Development, twelve-months programmes, etc.), along with the technological infrastructure expected to contribute to more accelerated development.

The instruments of the industrial policy will be embedded in the integrated document for industrial policy of the Republic of Macedonia and in the Action Plan for Instruments and Measures that is to be derived from the said document; the development of the latter is underway and it is expected to be completed by September 2008.

The Programme for Improving the Competitiveness of Macedonian Products and Services on Foreign Markets in 2008 will contain activities aimed at supporting the domestic companies in their efforts to promote their products and services and in turn improve the competitiveness and image of the Macedonian products.

The plan envisages amendments to the Law Establishing Macedonian Development Support Bank in the section regulating the Guarantee Fund, in particular of Article 8-b (guaranteeing up to 1/3 of the loan), as well as in the bylaws regulating the use of the loan, in order to ensure alignment with the 2006-2010 Government Programme, to ensure encouragement of exports (obligation and competence of the Ministry of Finance).

Moreover, the amendments to the Law Establishing the Agency for Foreign Investments are in the parliamentary procedure, which foresees financial autonomy and institutional strengthening.

INSTITUTIONAL FRAMEWORK

As planned, 20 additional economic promoters for various countries will also be involved in the work of the Agency for Foreign Investments in 2008, to provide highly professional services to the investors in the pre-investment, investment and re-investment stages, as well as in the monitoring and evaluation of the investment development.

With regard to the institutional support for the SMEs, the following is planned:

- Strengthening the administrative capacity of the ASE;
- Spreading the network of business centers in the municipalities;
- Extension of the Programme for Counseling via Vouchers;
- Strengthening the activities of the Human Resources Fund;
- Strengthening the administrative capacity of the existing and new institutions for support of SMEs;
- Support of the activities of the Innovative Relay Center.

MID-TERM PRIORITIES

LEGAL FRAMEWORK

Amendments to the Law Establishing an Agency for Support of Entrepreneurship (Official Gazette No. 60/03) in the section defining SMEs, for the purpose of full harmonisation of this definition with that of the EU.

INSTITUTIONAL FRAMEWORK

In accordance with the Programme for Encouragement of Investments in the Republic of Macedonia (2007 – 2010), the plan envisages the enactment of several new legal acts or amendments to the existing ones by various bodies of the administration and the institutions, ratification of agreements and adoption of new programmes by the end of 2010, which will mean approximation with the EU legislation and with the best international practices.

Activities will go on to expand the existing and to create new institutional infrastructure (business centers, incubators, clusters), as well as to strengthen their administrative capacity, all for the goal of enhancing the competitiveness and innovativeness of the SMEs.

The Human Resources Development Fund (HRDF) will work on raising the level of trainings and standards among the trainers, consultants and SMEs.

The National Entrepreneurship and Competitiveness Council and the SME Forum will develop the dialogue between the private and public sector.

Work is also done to strengthen the capacity of the SME Observatory, so that it may be utilised as a monitoring and evaluation tool. The Innovative Relay Center is an infrastructure for transfer of technology, innovations, information about the possibilities of using the CIP Programme of EU, etc.

The Guarantee Fund and the issuance of guarantees is becoming stronger and is undergoing transformation to provide wider support for the export-oriented SMEs and strengthening of the alternative financial instruments (leasing, factoring, franchising).

FOREIGN ASSISTANCE

In accordance with the Action Plan of the Programme for Promoting Investments and with the support from UNDP, USAID and InWent, a Coordination Body for Social Responsibility of Companies in Macedonia has been established, as part of the Economic and Social Council.

In 2008, the Agency for Foreign Investments will be using foreign assistance under the EAR Project “Technical Support for the Macedonian Agency for Foreign Investments to improve the investment climate in the Republic of Macedonia”. The Project’s duration is 6 months (starting from October 2007) and amounts to EUR 200,000. This Agency is also supported by a project of the Embassy of Great Britain. The Project’s duration is 6 months (starting from November 2007) and amounts to GBP 55,000, with the possibility of its extension for another two years and additional GBP 300,000.

The implementation of the CARDS project “Technical Support for the Development of Small and Medium-sized Enterprises” is in progress, which encompasses the following components: implementation of the Programme for SMEs, strengthening the private-public partnership and dialogue, as well as support for the infrastructure of SMEs (the amount of the project is some EUR 0.8 million).

January 2007 was the start of the implementation of the HRDF 3 Cards Project, which will last until September 2008. The objective of the project is the provision of support for the institution Human Resources Development Fund. The basic component of the project include: training of management teams in companies, training of trainers and networking the training companies and the Universities.

The implementation of the project financed by the British Embassy and entitled “Strengthening Entrepreneurship, Competitiveness and Innovativeness” commenced in April 2007. The project includes: building capacity of the employees at the ASE and the regional centers, training of consultants for the voucher system of counseling, organising campaigns for raising the awareness about entrepreneurship and competitiveness and innovativeness, and training of students in developing business plans (the amount of the project is EUR 0.3 million).

3.20.3 POLICIES BY SECTORS

Thus far, the following individual strategies and programmes for restructuring and support have been developed in the country:

- “National Programme for Restructuring and Transformation of the Steel Industry of the Republic of Macedonia” to support the steel industry,
- “Strategy for Development of the Textile Industry” (supporting the textile industry), adopted by the Government in July 2007 and planned to be the basis for the development of an Action Plan,
- “2008-2012 National Strategy for Tourism Development”, as support for the tourism industry.

STEEL

CURRENT SITUATION

LEGAL FRAMEWORK

Pursuant to Protocol 2 of the Stabilisation and Association Pact, the Government of the Republic of Macedonia adopted in 2004 a National Programme for Restructuring and Conversion of the Steel Industry of the Republic of Macedonia, along with a five-year implementation plan.

INSTITUTIONAL FRAMEWORK

One of the prerequisites for achieving the institutional strengthening - foreseen in the National Programme for Restructuring of the Steel Industry of the Republic of Macedonia - is the establishment of the Unit for Steel. The latter was set up in 2006, as part of the Sector for Industry and Investment Policy within the Ministry of Economy.

SHORT-TERM PRIORITIES

The plan for 2008 includes the implementation of the Annual Action Plan of Work, as part of the National Programme for Restructuring.

All tasks and activities foreseen in the Annual Action Plan from the National Programme are the obligation of the Unit for Steel, which regularly cooperates with the steel companies in the completion of certain activities, as well.

MID-TERM ACTIVITIES

The implementation of the National Programme for Restructuring of the Steel Industry will be taking place until the end of 2009, through the realisation of the Annual Action Plans foreseen in the Programme.

The Unit for Steel at the Ministry of Economy will be in charge of the five-year implementation of the National Programme for Restructuring of the Steel Industry of the Republic of Macedonia through the realisation of the Annual Action Plans foreseen in the Programme.

TEXTILE

CURRENT SITUATION

LEGAL FRAMEWORK

The Textile Industry Development Strategy – adopted by the Government of the Republic of Macedonia in July 2007 – defines the priorities in the sector at the macro, middle and micro level. These priorities are defined as short-, mid- and long-term ones.

The Textile Industry Development Strategy includes an analysis of the current situation in the textile sector, identifies the problems and proposes the future directions of development of the textile industry in the country. At the same time, it also proposes several draft-projects for development of the industry.

INSTITUTIONAL FRAMEWORK

In the course of 2008, an Action Plan will be developed, as well as a Programme for Revitalisation of the Textile Industry, to include the following:

1. Development of a Programme Matrix for identification of the obstacles to the development of the textile industry in the Republic of Macedonia at a macro, middle and micro level, with specific objectives, measures, implementing parties and timelines.
2. Development of a Programme for Revitalisation of the Textile Industry in the Republic of Macedonia.

The objectives of the Programme are as follows:

- Enhancing the competitiveness capacity of the companies in the key areas (marketing, technological modernisation, development of the human resources);
- Development of commercial infrastructure;
- Introduction of pilot-projects for new forms of organisation of the work in the selected companies.

Structure of the Programme

Sub-Programme I – Market Creation

Sub-Programme II – Commercial Infrastructure

Sub-Programme III – Technological Development

Sub-Programme IV – Human Resources Development

SHORT-TERM PRIORITIES

Development of an Action Plan and a Programme for Revitalisation of the Textile Industry in 2008.

The Action Plan will be implemented by the Ministry of Economy, the Ministry of Finance, the Ministry of Labor and Social Policy, the Ministry of Environment and Urban Planning, the Customs Administration, the State Market Inspectorate, the Institute for Standardisation, the Faculty of Technology and Metallurgy.

MID-TERM PRIORITIES

The implementation of the measures contained in the Action Plan and the Programme for Revitalisation of the Textile Industry will be carried out over a period of three years.

The Action Plan will be implemented by the Ministry of Economy, the Ministry of Finance, the Ministry of Labor and Social Policy, the Ministry of Environment and Urban Planning, the Customs Administration, the State Market Inspectorate, and the Institute for Standardisation.

FOREIGN ASSISTANCE

The Strategy for Development of the Textile Industry in the Republic of Macedonia, along with the two documents - the Action Plan and the Programme for Revitalisation of the Textile Industry – are being developed with the financial support from the Compensation Fund of Switzerland in the amount of MKD 8 million.

TOURISM

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework of the sector for tourism includes two legal measures:

- Law on Catering Industry (Official Gazette of the Republic of Macedonia No. 62/2004). This Law regulates the terms and conditions for pursuing hospitality as a business activity
- Law on Tourism Services (Official Gazette of the Republic of Macedonia No. 62/2004). This Law regulates the terms and conditions for performing tourism as a business activity.

Both laws are in effect and shall be applied as from July 1, 2008, in accordance with the Law on Local Elections (Official Gazette of the Republic of Macedonia No. 46/96, 12/2003, 35/2004, 52/2004 and 60/2004)

The development of tourism in the Republic of Macedonia is based on the Macroeconomic Policy adopted by the Government of the Republic of Macedonia; the Tourism Development Strategy (until the end of December 2007 by the Government of the Republic of Macedonia); the Company Law; the regulations in the industry; the Physical Plan of the Republic of Macedonia, the National Strategy for Development of Small and Medium-Size Companies; the National Strategy for Foreign Investments; the Tourism Development Programme for 2008.

INSTITUTIONAL FRAMEWORK

The State Market Inspectorate, the Ministry of Health, the Ministry of Finance, the Ministry of Justice, the Ministry of Environment and Physical Planning, the Consumers Organisation in the Republic of Macedonia, the Chamber of Commerce of the Republic of Macedonia, the faculties of tourism and hospitality and other associations and institutions.

SHORT-TERM PRIORITIES

The Sector for Tourism and Catering at the Ministry of Economy has submitted amendments to the Law on Tourism and the Law on Catering Industries, which are in a parliamentary procedure.

In the short run, the short-term Tourism Development Programme for 2008 will also be implemented. This Programme foresees the following activities: design and printing of promotion material in certain segments of the tourist offer, reprint of existing promotion material, presentation at international tourism fairs, participation at business forums and other events, cooperation with foreign tour operators, journalists and various federations aimed at promoting the Macedonian tourism in foreign tourism-focused media, public awareness campaign with the logo "I love Macedonia", campaign for selection of the best tourist resort, municipality, reception clerk, manager, etc., implementation of the "Strategy for Development of Tourism in the Republic of Macedonia", support for projects such as "Support for the Development of the Rural Tourism", "Aqua Park", "Kokino and Cocev Kamen", "Wine Tourism", as well as training of staff in tourism companies.

The procedure for adopting the draft law establishing an Agency for Tourism Promotion and Support is underway. The adoption of acts for its operation, such as charter, systematisation, election of a management board, agency director and staff are expected to be realised by the end of 2008.

MID-TERM PRIORITIES

The Sector for Tourism and Catering at the Ministry of Economy will commence with the implementation of the Tourism Development Strategy in 2008.

The plan is to set up a Unit for International Relation in Tourism within the Sector for Tourism and Catering in 2009 and to employ one more staff in 2009 and 2010 each. In line with this, the plan is to increase the financial assets for 2009 and 2010 by MKD 500,000 per person.

FOREIGN ASSISTANCE

The Ministry of Economy received technical assistance from UNDP for the development of a Tourism Development Strategy in the amount of EUR 100,000.

3.21 TRANS-EUROPEAN NETWORKS

3.21.1 TRANSPORT NETWORKS

CURRENT SITUATION

Pan-European corridors 10 and 8, multi-modal directions, as part of the Southeast axis that complements the Trans-European networks, go through the territory of the Republic of Macedonia.

LEGAL FRAMEWORK

The legal framework related to transport networks is part of the legal framework regulating the transport policy. See Chapter 3.14

STRATEGIC DOCUMENTS

Multi-annual plan of the Southeast European Transport Observatory -SEETO (2008-2012) and Addendum to the Memorandum of Understanding for development of a SEE main regional network related to the establishment of a common railroad transport area in Southeast Europe.

The Resolution for the adoption of the Multi-annual Action Plan for the realisation of projects in the field of transport was signed, as well as the Memorandum of Understanding for the establishment of a railroad transport area in Southeast Europe. The reason behind the signing of this addendum is the need to increase the investments in the region, accompanied by a railroad sector reform process.

- Public Investment Programme (2008-2010)

The Public Investment Programme is a strategic document of the Government of the Republic of Macedonia for a period of three years. The development policy of the Government of the Republic of Macedonia regarding mid term investments in the public infrastructure of the country is based on dynamic investment activity expected to result in optimal use of the existing facilities, reconstruction and modernisation of the public infrastructure in function of providing cost effectiveness and greater efficiency.

- National Development Plan (2008-2013)

The National Development Plan is a document that is part of the macroeconomic policy of the Republic of Macedonia. The Ministry of Transport and Communications coordinates the preparation of investment priorities in the field of transport infrastructure, defining the priority projects in the field of road, railway and air transport infrastructure for the period 2008-2013. For more details on NDP see Chapter 3.22.5

The National Transport Strategy was adopted by the Government of the Republic of Macedonia in July, 2007. The National Transport Strategy (2007-2017) defines the basic direction for development of the transport policy in the Republic of Macedonia through identification of goals with an action plan for the development of the road, railway and aviation sector. The Strategy shall be revised twice a year in the first 5 years of the implementation. After that period, it shall be supplemented annually. The supplementing shall be done with intensive institutional, expert and scientific consultation.

The goal of the Road Investment Plan is to prepare a road development plan with the aim of improving the investment climate in the transport sector, as well as an analysis for rehabilitation of the road network. Phase 1 of the task identifies a short list of draft rehabilitation projects, while Phase 2 is for a conceptual design of the draft projects. The Final Report on the plan was submitted in May, 2007.

The preparation of the Road Sector Restructuring Study started in March, 2007, and shall end in 2008 (18 months duration). The goal of the project is to prepare a Study for the Restructuring of the Fund for National and Regional Roads and PE "Makedonija Pat" with the aim of enhancing the economic development of the country through the restructuring of the road sector, institutional reforms in accordance with the EU standards and improvement of the investment climate. A Draft Law on Public Roads has been prepared as part of the road sector reform to be implemented in the course of the year 2008. It has been submitted to the Government of the Republic of Macedonia.

INSTITUTIONAL FRAMEWORK

Ministry of Transport and Communications

The Sector for International Investments and European Integration, within the Ministry of Transport and Communications, shall be renamed with the new systematisation into Sector for European Union comprised of Unit for Negotiations and Integration, Unit for IPA Implementation, Unit for Coordination, Monitoring and Evaluation and Unit for Community Programmes.

Based on the Road Sector Restructuring Study, measures and activities shall be undertaken for the transformation of the FNRR and the Public Enterprise "Makedonija Pat", i.e. establishment of a new Road Agency, opening the market for current maintenance of the roads and institutional restructuring of the competences in the road sector.

PE for Airport Services Makedonija-Skopje

The PEAS Makedonija- Skopje is an enterprise founded by the Government of the Republic of Macedonia that performs its activities in accordance with the Law on Public Enterprises, the Law on Aviation and other positive legal regulations.

The financial operation is organised at the level of PE, whereas the airports are not separate legal entities.

A process for the transformation of the PE into a joint stock company owned by the state has been initiated and after its completion the enterprise shall function in accordance with the provisions of the Company Law.

SHORT TERM PRIORITIES

Further implementation of the Memorandum of Understanding for the development of a main regional transport network in SEE and the Multi-annual Plan is foreseen through further continuous participation in the work of SEETO and other working bodies, as well as through support and monitoring of the realisation of soft measures related to the railway and the revision of the road safety.

- Completion of the construction of "Ring Road Skopje", as part of Corridor VIII.

Currently the construction works and the expropriation of two sections of the Ring Road Skopje are being finalised: Hippodrome – Orizari (14.7 km long) and Orizari – Saraj (11.8 km long).

- Construction of the section Tabanovce-Kumanovo, as part of Corridor X.

An agreement has been signed with the World Bank for a loan in the amount of EUR 7,5 million for the construction of the 7,5 km long section Tabanovce-Kumanovo. The public tender procedure has been initiated for the construction works on this section. The project envisages for the section Tabanovce-Kumanovo to be a highway with the construction of a new, one-way lane, 11 meters wide, parallel to the existing road. The project envisages also a new approach to the management of the traffic towards the border crossing Tabanovce.

- Construction of the section Demir Kapija-Smokvica.

The Third Consultative Meeting was held in Skopje where the implementation action plan was reviewed. The EC approved, in December 2007, the Operational Program for Component III (2007-2009), i.e., resources were allocated for the financing of the Project. The EIB has submitted a pre-approval of the loan. The approval of the GPEOB grant is in progress. Follows the preparation of the detailed design of the project and its realisation is expected to start towards the end of 2008. Sources of finance:

- European Commission – (EUR 27,4 mil.)/allocated resources
 - EIB (EUR 55 – 58 mil.)
 - GPEOB EUR 50 mil
 - National co-financing – (EUR 19 mil.) resources planned in the Fiscal Strategy of RM.
- Implementation of projects in the second axis of the Operational Programme IPA-Component 3 for regional development in the period 2007-2009:
 - preparation of a feasibility study for the section of the Pan European Corridor 8 – road infrastructure (Romanovce-Kriva Palanka-Deve Bair) in a total amount of EUR 1,218,240, of those EUR 913,680 through IPA and EUR 396,560 national participation
 - preparation of an investment technical documentation for the improvement of the railway infrastructure along the main network in Southeast Europe in the total amount of EUR 2,842,561, of those 2,131,920 through IPA and 710,641 national participation for the following sections:

a) main project for the construction of a new rail track for the section Veles-Nogaevci, 19 km long.

b) project for the reconstruction of the section Nogaevci-Negotino, 31 km long.

c) main project for the construction of a new rail track for the section Kumanovo-Deljadovci, 10 km long.

d) project for the repair with reconstruction of the section Bitola-Kremenica (Corridor Xd), 16 km long.

It is necessary to prepare investment technical documentation for these sections, with the following characteristics: speed up to 120km/h, radius 800 m;

- Preparation of a Cost-Benefit analysis for Corridor X and Corridor VIII,
 - Preparation of Environment Assessment Study (EIA) for Corridor X and Corridor VIII
- Giving under concession part of the road infrastructure in RM.

In so far as the road infrastructure along Corridor VIII and the branch 10d and the road directions Veles-Delcevo – border with Republic of Bulgaria, Bitola-Resen-Ohrid, Stenkovec-Blace, the procedure for selection of the consulting house is finished. The company Louis Berger S.A. has been selected and shall prepare the technical, financial and legal analysis for granting the concession to the roads with toll payment. The first draft study on granting the concession to part of the road infrastructure in RM is expected to be ready by April, 2008.

- Determination of the concession model for the development of the airports in RM.

With the aim of improving the air transport, a study is being prepared on the concession model for the development of the airport “Alexander the Great” – Skopje and the airport “St. Paul the Apostle” – Ohrid by the Dutch company NACO, B.V., that shall prepare the tender documentation and propose the institutional model for the management of both airports, as well as a strategy to improve their competitiveness in the region for the realisation of the needed financial support and planned investments. It is planned to upgrade the aviation infrastructure by raising the airport Skopje to the category of take off-landing runway ILS CAT II (according to ICAO) and construction of a new passenger service terminal in the Skopje airport with modular structure for annual flow of up to 2.5 million passengers. The tender shall be conducted in two phases, with pre-qualification. The tender is expected to be announced in January 2008, whereas the contract with the chosen bidder is expected to be signed in May, 2008.

INSTITUTIONAL FRAMEWORK

In 2008, four persons should be employed in the Sector for European Union.

Technical assistance through the Operational Programme IPA - Component 3 for regional development through measures, management of the operational programme implementation and elaboration of projects and programmes.

On the basis of the Road Sector Restructuring Study, measures and activities shall be undertaken in the field of institutional strengthening of the Fund for National and Regional Roads on one side and restructuring of the Public Enterprise “Makedonija Pat”.

MEDIUM-TERM PRIORITIES

- Rehabilitation of the railway line Tabanovce-Gevgelija, phase 1, increasing the speed at the section up to 130 km/h along the Corridor X, the section Skopje-Tabanovce, Veles-Zgropolci, Zgropolci-Demir Kapija, 64 km long
- Rehabilitation of the railway line Tabanovce-Gevgelija 2
- Construction of the highway border crossing with Republic of Albania- Skopje- border with Republic of Bulgaria
- Construction of the railway line Kumanovo-Beljakovce-border with Republic of Bulgaria
- Construction of a railway line Kicevo-Struga-border with Republic of Albania, 66.0 km long
- Construction of the multi-modal terminal located in Struga
- Construction of the section Veles-Prilep, as part of Corridor 10d
- Within the programming of SEETO proposed routes that are included in the medium-term priorities are also the routes:
 - Upgrading the section Bitola-Resen-Orhid-Podmolje to the level of highway
 - Construction of the highway Otovica-Stip-Delcevo
 - Stenkovec - Blace

These are the subject of a study for the granting of concession to part of the road infrastructure in the Republic of Macedonia that is being prepared by the consulting firm Louis Berger SAS.

- Implementation of the SEECF- Agreement for Establishment of a High - performance Railway Network in Southeast Europe. An Action Plan for the implementation of the Agreement has been prepared.
- Implementation of the Protocol on cross-border cooperation among the countries along the Pan - European Corridor 10, signed in June, 2006 on Corfu and which has as main goal to facilitate the flow of persons and goods along the Corridor 10. In a short or medium term, the signatories should harmonise their border crossing related legislation and procedures to the EU Acquis, establish continuous exchange of information among relevant administrations and agencies, especially with electronic means, in order to achieve close cooperation and increased efficiency.

3.21.2 TRANS-EUROPEAN ENERGY NETWORKS

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework related to the Trans-European Energy Networks is part of the legal framework regulating the energy policy, see Chapter 3.15.

STRATEGIC DOCUMENTS

The electricity and natural gas market is being transformed according to the Treaty establishing the Energy Community that the Republic of Macedonia signed, together with the other countries of Southeast Europe and the European Commission on 25 October 2005, in Athens. The Republic of Macedonia has ratified the Agreement in May, 2006 and it entered into force on 1 July, 2006.

For the realisation of the goals of the Treaty, the activities of the signatory countries include, inter alia, the establishment of a single mechanism for cross-border transmission or transport of this type of energy and establishment of a electricity and natural gas market without internal borders for all signatory countries of the Treaty, including also coordination of mutual assistance in case of serious disruption in the functioning of the energy networks.

Within the framework of the *SECI Program* (Southeast European Cooperation Initiative), the Project for Regional Planning of the Electro-Energetic Systems in Southeast Europe 222 is in progress, started in 2001 with technical assistance from USAID and USEA (United States Energy Association). The basic idea of the project is familiarisation with the regional approach in the practice of transmission network planning and establishment of a common database for power systems in the region that would be continuously upgraded and used by the power companies in the countries of Southeast Europe. The SECI working group is undertaking the following tasks in accordance with the requirements of the Athens Forum:

- Development of a *Study on Transmission Network Regional Planning Methodology and Criteria for Ranking Interconnected Overhead Transmission Lines Projects in Market Conditions*- finished in March, 2007.
- Upgrading the *SECI Study* with implementation of the determined regional planning methodology and criteria for ranking interconnected overhead transmission lines projects in market conditions, based on electricity supply/consumption scenarios from the Generation Investment Study (GIS). The study was finished in November, 2007.

A) ELECTRICITY TRANSMISSION INFRASTRUCTURE

The Macedonian electricity transmission system is interconnected with Greece, Bulgaria and Serbia. The high voltage transmission network operated on four voltage levels: 110 kV, 150 kV (that will terminate with the upgrading to 400 kV), 220 kV and 400 kV. The total length of the above interconnected overhead transmission lines is about 2000 km. The basis of the electricity transmission system is 400 kV voltage level. The ring comprised of three 400 kV interconnected overhead transmission lines linking the largest consumer in the northern part of the country (Skopje) with the largest production capacities in the southern part (Bitola and Negotino).

Regarding the *Transport Corridor 10*, the power system (PS) of the Republic of Macedonia is interconnected to a 400 kV voltage level in the North with one IOTL with PS of Serbia (Kosovo) and in the South with two IOTLs with the PS of Greece. The 400 kV interconnected overhead transmission line *TS (transmission substation) Bitola 2 (Republic of Macedonia) – TS Florina (Republic of Greece)*, as part of the "Project for Development of the PS of RM", represents a second 400 kV connection between Macedonia and Greece. It has replaced the 150 kV interconnected overhead transmission line Bitola-Amindeo thus strengthening the existing transmission network and improving the exchange of electricity between Macedonia and Greece and the other countries in the region. This interconnected overhead transmission line was put in operation in the month of June, 2007.

Regarding the *Transport Corridor 8*, there is no interconnected power connection according to the current UCTE standards. The PS of RM is linked at 110 kV voltage level in the East with two IOTL with the PS of Bulgaria.

The activity - construction of TS Skopje 5 – Phase I has been finished and a high voltage equipment for TS Dracevo and TS Petrovec purchased, as component 1 of the "*Power Substation Project*".

B) GAS PIPELINE INFRASTRUCTURE

The gas pipeline system of the Republic of Macedonia is build as part of *Corridor 8*.

The capacity of the gas pipeline is 800 million m³ annually. The length of the main gas pipeline is of around 98 km. and goes from the border with Bulgaria to Skopje.

C) OIL PIPELINE INFRASTRUCTURE

The oil pipeline Skopje-Thessalonika links the "OCTA" refinery with the Thessalonika Port and is 212.6 km long. The pipeline is aimed for transport of raw oil and supply to the refinery. The oil pipeline was constructed in 2002, in the direction of Corridor 10, with an annual capacity of 360 m³/h, which is 2,5 million tones annually.

INSTITUTIONAL FRAMEWORK

Ministry of Economy, Sector for Energy on behalf of the Government of the Republic of Macedonia plays the role of policy maker in the energy sector. An Agency for Energy has been established within the Ministry of Economy to support and implement the energy policy of the Republic of Macedonia.

Energy Regulatory Commission regulates issues in the field of energy activities, that is, monitors the functioning of the energy market, adopts regulations related to the setting of the prices of different types of energy and prescribes tariff systems and participates in the resolution of disputes between the participants at the energy market.

SHORT TERM PRIORITIES

The preparation of a *Study on Reliability of the Power System and Investment Programme* shall start in March, 2008 and is expected to be finished by December 2008. For the purpose of fulfilling the legally established competence over the maintenance and development of the transmission network, as well as for the execution of the obligation to provide the public service in a secure manner, implying safe, timely and quality supply of electricity at a reasonable price and care for the protection of the environment, METSO shall develop the transmission network in the manner prescribed in the *Study on Reliability of the Power System* that should be prepared based on the power system reliability assessment, in accordance with the Network Rules for electricity transmission. The short term – annually, mid term and long term planning and investment in the electricity transmission system of METSO is based on the Investment Programme prepared according to the *Study on Reliability of the Power System* and the PS analyses of new facilities in the current year and the plans for reconstruction and revitalisation of the existing transmission system facilities.

It is planned to continue with the realisation of the *Action Plan* for the implementation of the directions and obligations from the Treaty on Energy Community.

A) ELECTRICITY TRANSMISSION INFRASTRUCTURE

The reconstruction and revitalisation of the existing transmission substations and interconnected overhead transmission lines is foreseen with the Power Substation Project and it would improve the performances of the electricity transmission system of Republic of Macedonia and provide secure supply of electricity to the consumers. The *Power Substation Project*, that includes the construction of the *TS Skopje 6 – Phase I*, *TS Petrovec*, *TS Dracevo* and *2 x 110 kV two-system IOTL from Vrutok to Tetovo*, started in 2004 and is financed by the European Investment Bank (EIB). Up to now the construction of *TS Skopje 5 – Phase I* has been finished and a high voltage equipment for *TS Dracevo* and *TS Petrovec* purchased. The activities on the construction of *TS Petrovec* and *TS Dracevo* continue, as well as for the *2 x 110 kV two-system IOTL from Vrutok to Tetovo*, and it is planned to finalise them by the end of 2008.

Interconnection overhead transmission lines with neighbouring power systems:

In the East – as part of the *Transport Corridor 8: 400 kV interconnected overhead transmission line Stip (Macedonia) – Cerven Mogila (Bulgaria)*. The construction of a 400 kV IOTL with the Republic of Bulgaria is the first interconnected overhead transmission line at this voltage level between the two countries and is part of Corridor 8. It shall enable secure transit of electricity between the two power systems, of the Republic of Macedonia and the Republic of Bulgaria. Intensive construction works are ongoing and the interconnected overhead transmission line is expected to be finished in July 2008, preliminary works on the construction of the *TS Stip* continue and it is expected to be finished in 2009. This project is included in the priorities of the Trans European Energy Networks (TEN-E – Decision No 1229/2003/EC of 26 June 2003).

The Project for the Development of the Power System of the Republic of Macedonia is included in the Strategic Plan of the World Bank for investment in the Energy Community of Southeast Europe for the Development of a Regional Energy Market. The remaining activities of the project are:

Component 2: Reconstruction and construction of interconnected overhead transmission lines.

Within this component it is planned to construct a new 2x110 kV IOTL from *TS Bitola 3* to *TS Bitola 4* and reconstruction of an existing 110 kV IOTL *TS Skopje 1 – TS Tetovo 1* – planned to be constructed in the period 2008 - 2011.

Component 3: Upgrading of the existing EMS system and planning software is the current activity and it is planned to finish them in 2008

Component 4: Upgrading and reconstruction of the existing 110/x kV transmission substations is in progress and shall be finished in 2011.

Component 5: Support to the institutional development, it is in progress and the plan is to finish in 2011.

B) GAS PIPELINE INFRASTRUCTURE

Closing the first gas pipeline ring in Skopje with a total length of 12.5 km, operating pressure of 12 bars, nominal diameter of DN 400, investment value of around USD 6.3 million,, construction period of 12 months, included in the draft spatial plan for the period 2008-2010.

Construction of the second gas pipeline ring in Skopje with a total length of 13 km, operating pressure of 12 bars, nominal diameter DN 300, and investment value of around USD 5.3 million, construction period of 12 months, included in the draft spatial plan for the period 2008-2010.

Construction of main gas pipeline Klecovce-Veles and Stip and distribution of gas to the cities of Veles and Stip with a total length of the main gas pipeline of 82 km, operating pressure of 54 bars, nominal diameter of DN 500 and DN 200, length of the city gas pipeline network of 10 km, investment value of USD 37 million, construction period of 18 months, included in the draft spatial plan for the period 2008-2010.

Construction of a main gas pipeline Skopje – Tetovo and distribution of gas in the city of Tetovo with a total length of the main gas pipeline of 48 km, operating pressure of 54 bars, nominal diameter of DN 400 and DN 200, length of the city gas pipeline network of 5 km, investment value of USD 20 million and construction period of 18 months, included in the draft spatial plan for the period 2008-2010.

Construction of a main gas pipeline Stip – Negotino with a total length of 32 km, operating pressure of 54 bars, nominal diameter of DN 500, investment value of USD 12 million, construction period of 18 months, included in the draft spatial plan for the period 2008-2010.

INSTITUTIONAL FRAMEWORK

The institutional framework related to the Trans-European Energy Systems is given in detail in Chapter 3.15 Energy.

MEDIUM-TERM PRIORITIES

A) ELECTRICITY TRANSMISSION INFRASTRUCTURE

New interconnected overhead transmission lines with neighbouring power systems

In the North – as part of the *Transport Corridor 10*:

400 kV interconnected overhead transmission line Stip (Macedonia) – Nis (Leskovac-Vranje) (Serbia).

The planned cost for the Macedonian part of the project is EUR 8, 880 million. For this project the electricity transmission operators in Macedonia (METSO) and Serbia (PS) have signed a Memorandum of Understanding where it is stated that the two parties should undertake activities to provide financial resources for the construction of this connection, that is, each party for its segment of the interconnection. The preparation of technical documentation continues and at the same time a financial institution that would finance the project should be provided.

In the West – as part of *Transport Corridor 8*:

400 kV interconnected overhead transmission line Btola (Macedonia) – Elbasan (Albania) – Tirana (Albania) – Duras (Albania) and 400 kV undersea cable Duras (Albania) – Fogia (Italy).

The planned cost for the Macedonian part of the project is EUR 16,7 million. Namely, on April 13, 2005, in Sofia, the Ministers of Albania, Bulgaria, Italy and Macedonia signed a Joint Statement for energy infrastructure cooperation in support of the implementation of the energy infrastructure projects, including the projects of the Trans-European Networks (TEN-E) in the European – Mediterranean Energy Ring, and establishment of a working group from the member states for the implementation of the specific projects for the construction of the energy infrastructure in the European Corridor 8. A Feasibility Study of the 400 kV IOTL and 400 kV Submarine Cable Interconnections from Macedonia to Albania and to Italy) – was prepared by SEETEC with the participation of KESH – Albania, METSO - Macedonia, and TERN – Italy

It is planned to continue the aforementioned components of the Project for the Development of the Power System of the Republic of Macedonia, starting in 2008 and going on until 2011.

B) GAS PIPELINE INFRASTRUCTURE

The activities on the construction of the gas pipeline infrastructure continue, i.e. the aforementioned projects.

C) OIL PIPELINE INFRASTRUCTURE

An important project in *Corridor 8* is the *Trans Balkan Oil Pipeline AMBO*. The aim of this pipeline is to bridge over the Balkan Peninsula and thus facilitate the transport of raw oil aimed for the European oil industry, between the Black Sea shore and the Adriatic Sea, avoiding the Bosphorus Strait. The oil pipeline is 894.5 km long, of which 273 km go through the territory of the Republic of Macedonia. Four pump stations (2 in the Republic of Bulgaria and one in the Republic of Macedonia and one in the Republic of Albania) are planned. The capacity is 750 000 barrels a day, meaning transport of around 30-40 million tons of raw oil annually. The construction period is assessed to be 2.5 years.

The bilateral Protocols have been signed for the entry and exit points between the Republic of Albania and the Republic of Macedonia and between the Republic of Bulgaria and the Republic of Macedonia. The Law on ratification of the Three-partite Convention related to the Trans Balkan Oil Pipeline System between R. of Albania, R. of Bulgaria and the R. of Macedonia, signed in Skopje on January 31, 2007 was adopted. (Official Gazette of the Republic of Macedonia No. 74/2007)

FOREIGN ASISTANCE

- Project Power Substation Construction Project (TS Petrovec and 2x110 kV two-system IOTL from Vrutok to Tetovo) – the resources for 2007 amount to EUR 1,1 million (METSO) and EUR 2,02 million (EIB loan), for 2008 EUR 2,81 million (METSO) and EUR 4,10 million. (EIB loan).
- *Project for the development of the PS of RM* - resources for 2007 – EUR 0.0019 million (METSO) and EUR 4,01 million (World Bank loan), for 2008 – EUR 4,38 million (METSO) and EUR 2,33 million (World Bank loan), for 2009 – EUR 3,37 million (METSO) and EUR 4,65 million (World Bank loan), 2010 – EUR 2,97 million (METSO) and EUR 4,65 million (World Bank loan).
- *400 kV interconnected overhead transmission line Stip (Macedonia) – Cervena Mogila (Bulgaria) and new transmission substation 400/110 kV Stip* – resources for 2007 are EUR 1,43 mil (METSO) and EUR 9,54 million (EBRD loan), for 2008 – EUR 0.37 million (METSO) and EUR 15,68 million (EBRD loan).

3.22 REGIONAL POLICY AND COORDINATION OF STRUCTURAL INSTRUMENTS

3.22.1 LEGAL FRAMEWORK

CURRENT SITUATION

Upon proposal of the State Statistical Office and with previous consent of the state institutions, scientific community and Eurostat, the Government of the Republic of Macedonia adopted the Decision on Nomenclature of Territorial Units for Statistics (NUTS), which is completely harmonised with the Regulation 1059/2003. The NUTS classification has 5 levels: at level 1 and at the NUTS level 2, the entire state is one single unit; at NUTS level 3, there are statistical regions (8 units), all of them meeting the 150,000 inhabitants criterion; the municipalities are at NUTS level 4 (84 units), and the populated areas (1,776 units) are at level 5. The Law on Balanced Regional Development (Official Gazette of the Republic of Macedonia No. 63/07) was adopted in May 2007, regulating: the objectives, principles and creators of the policy for encouraging balanced regional development, the regional development planning; the financing and allocation of the funds for balanced regional development; the monitoring and evaluation of the implementation of the plan and projects, as well as other issues related to the regional development.

For the purpose of planning the regional development, planned regions were introduced, which coincide with the territorial statistical units NUTS level 3 (8 regions): Vardar, Eastern, Southwestern, Southeastern, Pelagonija, Polog, Northeastern, and Skopje.

The planning of the regional development is in the form of the following planning documents: Strategy for Regional Development and Programmes for Development of Planned Regions .

The Republic of Macedonia is completing the legal framework that is relevant for the regional policy and coordination of the European funds and that is related to public procurements, government assistance and competition, environment and equal opportunities for men and women. More details are given in Chapters 3.05, 3.08, 3.27, 3.19 and 3.23.

SHORT-TERM PRIORITIES

- Providing adequate statistical data base, i.e. collecting statistical data at NUTS level 3, as the basis for implementing the balanced regional development policy
- Adoption of the Strategy for Regional Development and Action Plan

The Strategy for Regional Development of the Republic of Macedonia is a long-term planning document for a period of 10 years, defining the principles, goals and priorities of the regional development in the country, along with the measures, instruments and financial and other means for their implementation. It is in compliance with the Spatial Plan of the Republic of Macedonia, the strategic development plan at a national level and the programme documents for integration of the Republic of Macedonia into the European Union.

The Strategy is in a working version, which will be submitted with the Council for Balanced Regional Development, to be then made an issue to be debated by the expert and scientific community and the business and civil sector. It is expected to be adopted by the Government and the Assembly of the Republic of Macedonia by the end of the second quarter of 2008.

For the purpose of implementing the Strategy, the Government adopts a three-year Action Plan.

Development and adoption of the Programmes for Development of Planned Regions and Action Plans

The Programme for Development of Planned Regions is a mid-term planning document encompassing a period of 5 years, defining the development goals for the planned regions, as well as the measures, instruments and financial and other means for their implementation. The programmes are adopted by the Councils for Development of Planned Regions. Ten-year Action Plans will be adopted to ensure the implementation of the Programmes.

Bylaws

In the course of the first half of 2008, the Government of the Republic of Macedonia will adopt decisions on: the criteria and indicators for identifying the level to which the planned regions are developed, classification of the planned regions in accordance with their development level for the period between 2008-2012, closer criteria and indicators for identifying the areas with specific developmental needs and a decision to identify the areas with specific development needs for the 2008-2012 period.

MEDIUM-TERM PRIORITIES

In accordance with Article 27, paragraph (4) of the Law on Balanced Regional Development, the utilisation of the finances from the funds of the European Union is to be regulated by a Government act, i.e. by a Decree for Coordination of Structural Instruments, which should define the institutional set up and responsibility of the relevant (accredited) institutions in the use of the

future structural and cohesion funds, the development of the operational programmes, the implementation and the monitoring of the use of those programmes.

INSTITUTIONAL FRAMEWORK

CURRENT SITUATION

The Government of the Republic of Macedonia adopted a Decision to establish the Council for Balanced Regional Development (Official Gazette of the Republic of Macedonia No. 110/07). The chairperson of the Council is the Deputy Prime Minister of the Government of the Republic of Macedonia in charge of economic affairs, and the members are the ministers responsible for the line ministries, the presidents of the Councils for Planned Regions and the president of the Association of the Units of the Local Self-government (ZELS).

Among the others, his competencies include:

- Coordination of the policy for promoting balanced regional development with the sectoral policies and the macroeconomic policy of the Republic of Macedonia;
- Defining a Draft-Strategy for Regional Development;
- Granting previous consent for the Programmes for development of planned regions .

Pursuant to the Law, the Ministry of Local Self-Government:

- Organises and coordinates the development of the national strategic and planning regional development documents;
- Ensures harmonisation of the Strategy with the programme documents for integration of the Republic of Macedonia into the European Union.

The Councils for Development of Planned Regions have been constituted in all 8 planned regions and their members include the mayors of the units of local self-government that are part of the planned region. The Councils carry out the following:

- Adopting a Programme for Development of Planned Region, with an annual Action Plan for implementation of the Programme, as well as monitoring and evaluating the implementation of the planning regional development documents
- Defining annual lists of draft-projects for development of the planned region
- Ensuring coordination of the activities of the units of local self-governments, associations of citizens, and the state agencies and institutions within the region active in the area of the regional development.

In planning the regional development and implementing the planning documents for regional development, the Bureau for Regional Development (a body within the Ministry of Local Self-Government) will also take part by working out the analytical and documentation basis for the development of strategic and operational planning documents for regional development and the annual reports on the implementation of the Action Plan of the Strategy, as well as the eight Centers for Development of Planned Regions established by the Councils for Planned Regions, the latter being the expert administrative bodies.

Decentralised system for implementation of the EU funds (DIS)

- Pursuant to the Council Regulation for introduction of the new pre-accession instrument IPA (EC No. 1085/2006) and the Commission Regulation for implementation thereof (EC No. 718/2007), the Government of the Republic of Macedonia defined the institutional frame, to ensure the utilisation of the EU pre-accession assistance. To this goal, the Government of the Republic of Macedonia held a session on 11 February 2007, to appoint: the Deputy Prime Minister of the Government of the Republic of Macedonia in charge of Euro-integrations as the National IPA Coordinator, the Deputy Prime Minister of the Government of the Republic of Macedonia in charge of economic affairs as the Strategic Coordinator, the Minister of Finance as the National Coordinator for Accreditation⁶, and the State Adviser on Financial Systems and International Finances as the National Coordinator for Authorisation⁷. The Government also appointed the Head of the National Fund⁸ and the Head of the Operational Structure for the first four components⁹.

⁶ The National Coordinator for Accreditation is responsible for the issuance of national accreditation to the National Coordinator for Authorisation and the National Fund, submission of requests with the EU for granting accreditation to the DIS system in the Republic of Macedonia, monitoring the continuous meeting of the accreditation criteria and - in certain instances - revoking the accreditation.

⁷ The National Coordinator for Authorisation is responsible for accreditation of the Operational Structure for the first four components of IPA, i.e. the Central Financing and Contracting Department at the Ministry of Finance, as well as the accreditation of the Operational Structure of the fifth component (rural development), i.e. the Agency for Financial Support in the Agriculture and Rural Development, as well as the Managing body at the Ministry of Agriculture, Forestry and Water Economy. The National Coordinator for Authorisation is responsible for the safe financial management of the EU funds, the provision of national co-financing, as well as the provision of an efficient and effective management system and control.

⁸ The National Fund - being a unit within the Sector for Treasury - is in charge of the financial management of the funds from the EU pre-accession assistance, by managing the appropriate accounts for the individual IPA components/programmes, filing requests for funds to the EC, authorizing the transfer of EU funds to the ultimate beneficiaries through the appropriate operational structures, and managing the liquidity of the EU funds and the national co-financing. The National Fund is the sole body through which the European Commission will be informed on the financial management with the funds.

⁹ The Operational Structure for the first four IPA components is in charge of the organisation of tenders, contracting and monitoring the implementation of those agreements, as well as of the disbursements to the final beneficiaries.

- The Operational Structure for the first four components is the Central Financing and Contracting Department (CFCD), and includes a portion of the line ministries and the SEA, as well.
- On 31 July 2007, the Government of the Republic of Macedonia appointed a functionally autonomous Auditing Body in the system of decentralised management of the EU pre-accession assistance - IPA, along with a head of that body; the Law Amending the Law on State Audit (Official Gazette of the Republic of Macedonia No. 133/2007) defines its organisational set up, competencies and manner of financing.
- On 5 October 2007, the NAO submitted to the European Commission the Report on the Evaluation of Shortcomings of the DIS Structure, in accordance with the requirements of the new pre-accession instruments IPA. The Report is the basis for removal of the shortcomings in the DIS structures.

SHORT-TERM PRIORITIES

Completion of the structures for balanced regional development

Over the coming period, the plan is to fully complete and strengthen the Bureau for Regional Development (which will take over the new responsibilities as from 1 January 2008 from the previous Bureau for Economically Underdeveloped Areas), as well as to establish the Development Centers in the 8 planned regions.

- Accreditation of DIS

Over the period to come, the Government of the Republic of Macedonia will continue with the establishment of the institutional structures and the strengthening of the administrative capacity in the areas of programming, development of projects, monitoring, evaluation and financial management and control, particularly at the level of line ministries, to ensure the implementation of the EU pre-accession programmes.

In cooperation with the line ministries, the CFCD and NF developed a detailed action plan by components, with defined timelines for completion of the activities stated below. The Action Plans were adopted by the Government of the Republic of Macedonia.

- The Assembly of the Republic of Macedonia ratified the Framework Agreement signed between the Government of the Republic of Macedonia and the European Commission on 30 January 2008.
- Development and execution of the operational agreements by components between the CFCD and the line ministries. As regards the third component (regional development), two Operational Agreements will be signed - one between the CFCD and the Ministry of Transportation and Communication, and the other one between the CFCD and the Ministry of Environment and Physical Planning. The draft-Operational Agreements for the third component have been prepared and submitted to the European Commission for opinion. An agreement will also be signed for the delegation of tasks between the Ministry of Transport and Communication and the Fund for National and Regional Roads.
- Signing of the Implementation Agreement between the National Coordinator for Authorisation, as the National Fund Manager, and the Central Financing and Contracting Department. The draft-text of the agreement has already been prepared and it is expected to be signed by the end of February 2008.
- By March 2008, the National Coordinator for Authorisation will approve the Procedures for Internal Operation of the NAO, NF, CFCD, as well as all agreements between the appropriate structures (NAO, NF, CFCD) in the DIS system, which regulate their mutual rights and obligations. Following the approval of the Procedures for Internal Operation of the DIS structures, independent audit house will be engaged to conduct an audit of the entire functioning of the DIS system and the DIS system with no ex ante control¹⁰
- Following the receipt of positive opinion of the audit, the National Coordinator for Accreditation will - no longer than by May 2008 - grant national accreditation to the National Coordinator for Authorisation and to the National Fund, while the National Coordinator for Authorisation will accredit the operational structures.
- The National Coordinator for Accreditation will, following the issuance of the national accreditation, lodge a request with the EC for granting accreditation to the DIS system in the Republic of Macedonia and the DIS system without ex ante control.

MEDIUM-TERM PRIORITIES

In the medium-term, the Government of the Republic of Macedonia will continue to build the institutional framework and to strengthen the administrative capacities at central, regional and local level, as preparations for the implementation of the cohesion policy of the European Union. The Government should also provide for clear allocation of the responsibilities and strengthening the capacities for coordination between the appointed implementation bodies/structures, including the local ones, as well.

FOREIGN ASSISTANCE

¹⁰ The DIS system without ex ante control refers to the fifth IPA component - rural development

An agreement was signed on 18 July 2007 on a long-term project for technical assistance "Building Capacities for Supporting the Decentralised Management of the Assistance". The Project officially commenced on 20 August.

The monitoring of the Project will be carried out through the Management Committee, the monthly meetings on the issue of management and the weekly meetings with NAO.

3.22.2 ADMINISTRATIVE CAPACITY

CURRENT SITUATION

With the amendments to the Rulebook on Organisation and Systematisation of the Working Posts at the Ministry of Finance, the Central Financing and Contracting Department - which is a central operational structure for the first four IPA components - was established with the following four units:

- Unit for General Affairs and Control
- Unit for EU Public Procurements and Contracting
- Unit for Programmes Monitoring
- Unit for Financial Affairs

IPA Units, as specific bodies of the operational structure, have been established in the line ministries pursuant to the Act on Systematisation and Organisation of Working Posts. Senior Programme Officers/IPA Coordinators have been appointed, as well.

17 working posts were planned for the Central Financing and Contracting Department, of which 14 have been filled.

7 posts were also planned and filled for the National Fund as a Unit in the Sector for Treasury in 2007 (a head, two financial controllers, two financial managers, an accountant and an officer for irregularities, human resources management and internal control).

The employees at the CFCD and NF, along with the consultants from the long-term project for technical assistance "Building Capacities for Supporting the Decentralised Management of the Assistance in the Republic of Macedonia" are working on adjusting the internal working procedures to the IPA requirements and on harmonising these procedures between the CFCD and NF. As part of the technical assistance project, procedures for the second function of NAO have also been developed.

Numerous trainings have also been conducted, such that were related to the system of decentralised management of EU funds and project management in general.

SHORT-TERM PRIORITIES

The plan is to finalise the Manuals for Internal Operation of the DIS Structures by the end of February 2008, as well as to develop instructions as to the implementation of the programmes within the line ministries and developing audit trail for the procedures.

In the course of 2008, a Management Information System (MIS) will also be introduced and will encompass the EU public procurements, contracting, project management, financial management, accounting, monitoring and evaluation. The terms of reference for the procurement of a Management Information System/Accounting System will be prepared in the period between February and March 2008, and the procurement will take place in the period between August 2008 and February 2009.

In the course of 2008, a *Unit for Monitoring and Evaluation* will be set up at the Secretariat for European Affairs, as a NIPAC Secretariat. The procedures for this unit will be developed as part of the "Capacity Building for Supporting the Decentralised Management of the EU Assistance" Project.

Staffing and Training of the DIS Structures:

New employments are planned in the CFCD - more precisely, in the Unit for Programmes Monitoring and in the Unit for EU Public Procurements.

New employments and trainings are also planned in all of the line ministries, i.e. in the appropriate IPA units. In the course of 2008, the technical assistance for support in building the DIS capacities envisages trainings in programming, EU Public Procurement PRAG and FIDIK, financial management and risk management, and irregularities, while SEA and UNDP will organise trainings on project cycle management and development of project fiches and projects tasks.

Staffing of the Structures for Balanced Regional Development:

New employments are planned in the Sector for Regional Development and Inter-Municipal Cooperation within the Ministry of Local Self-Government, as well as in the Bureau for Regional Development. Also, new persons will be employed in the eight Centers for Development of Planned Regions in 2008.

MEDIUM-TERM PRIORITIES

The Government of the Republic of Macedonia will continue strengthening the administrative capacities through intensive trainings and new employments in all of the above stated bodies/structures.

FOREIGN ASSISTANCE

As part of the Project TA for building capacities, all working procedures for NIPAC, NAO/NF and CFCD will be finalised, as well as all agreements between the appropriate structures. As part of this Project, on-the-job training will also be conducted on the implementation of the working procedures. (See also Section 3.22.2).

3.22.3 PROGRAMMING

CURRENT SITUATION

The Strategic Coherent Framework and the Operational Programme for the third IPA component (Regional Development), prepared by the national programming teams, have been officially submitted to the European Commission via the National IPA Coordinator and Deputy Prime Minister of the Macedonian Government, with the support of the consultants engaged through CARDS, as well as in a wider consultation and cooperation with the relevant EC agencies. Both documents were formally adopted by the European Commission.

The 2007-2009 National Development Plan was adopted in April 2007. It is currently undergoing revision.

SHORT-TERM PRIORITIES

Adoption of the 2008-2013 National Development Plan (NDP).

The draft-version of the NDP has been developed and public debates on the topic will be organised to include the public sector. The National Development Plan is expected to be adopted by the Government of the Republic of Macedonia by the end of the first quarter of 2008. The 2008-2013 National Development Plan has the following objectives:

- Making a detailed assessment of the current economic, social and environmental situation in the Republic of Macedonia;
- Identification of the key developmental priorities at a national level by 2013;
- Formulation of strategic and operational developmental goals by 2013;

The basic priorities for the Republic of Macedonia by 2013, into which it will invest the overall potentials, are:

- Enhanced competitiveness of the corporate sector
- Development of economic infrastructure
- Human capital development
- Protection of the environment
- Rural development and development of the agriculture
- Promotion of the state as a partner in the economic growth

The principle of partnership - necessary in the development of the key programme and operational documents, such as the NDP, the Operational Programmes for IPA, as well as the Strategy for Regional Development and the programmes for development of planned regions - will be intensified and carried out through cooperation, linking and active participation in the preparation of acts and projects that are in function of the regional development at national, regional and local level. This cooperation will be achieved at vertical and horizontal level, by involving the business and social partners, NGOs, as well as via the bodies established in accordance with the Law on Balanced Regional Development:

- Council for Balanced Regional Development of the Republic of Macedonia (a body for harmonisation and coordination of the general policy),
- Council for Development of Planned Regions (body in charge of implementing the regional policy at the level of planned regions, which coincides with the units at the NUTS-3 level).

MEDIUM-TERM PRIORITIES

Development of the second Operational Programme for component 3 of IPA, for the period between 2009 and 2013, has been foreseen.

3.22.4 MONITORING AND EVALUATION

CURRENT SITUATION

In line with the European Commission recommendation, NIPAC set up a *Committee for IPA Monitoring* at the end of 2007, for the purpose of ensuring coherence and coordination in the implementation of the individual IPA components. This Committee is supported by the *Sectoral Monitoring Committees* for each IPA component, which have at their goal assessment and improvement of the effectiveness and quality of the implementation of the programmes and activities within their competencies.

By components, the Sectoral Monitoring Committees are managed by the Operational Structures for the individual components. The first meeting of the informal Sectoral Monitoring Committee for component III of IPA took place on 10 December 2007.

A Unit for Programmes Monitoring was set up within the CFCD.

In order to strengthen the line ministries' capacities for monitoring, the Government of the Republic of Macedonia decided to merge the IPA units with the monitoring ones.

An ex ante evaluation of the Operational Programme for the third component was conducted.

SHORT-TERM PRIORITIES

In the course of 2008, a Unit for Monitoring and Evaluation will be established in the Secretariat for European Affairs, as a NIPAC Secretariat. The procedures for this unit will be developed as part of the Building Capacities for Supporting the Decentralised Management of the EU Assistance Project.

The plan includes strengthening the Unit for Programmes Monitoring within CFCD with new employees (See Section 3.22.3).

The finalisation of the manuals for internal procedures for monitoring and evaluation of the Unit for Programmes Monitoring at CFCD is foreseen to take place by the end of February 2008. The plan also includes finalisation of the manuals for internal procedures for monitoring and evaluation and staffing of the IPA structures, as well as delivery of monitoring and evaluation trainings in the IPA structures. (See Section 3.22.3)

MEDIUM-TERM PRIORITIES

Conduct of a medium-term evaluation of the Operational Programmes, once their implementation starts.

3.22.5 FINANCIAL MANAGEMENT AND CONTROL

CURRENT SITUATION

The National Fund is responsible for the financial management of the funds from the pre-accession assistance of EU - IPA, as well as the national co-financing, and is under direct supervision of NAO. The competencies of the National Fund include the opening and organising of bank accounts, filing requests for funds to the European Commission, provision of national co-financing, transfer of funds to the Operational Structures, authorizing transfer of funds to the ultimate beneficiaries, as well as submitting reports to the EC.

A Unit for Financial Affairs was established as part of the Central Financing and Contracting Department, to be in charge of the development of internal procedures for financial operations of the central financing, updating the review forms for controlling the payments and invoices according to the financial rules and procedures of PRAG/DIS, monitoring the carrying out of payments to contractors, examination of invoices and accompanying documentation, and preparing documents for payments to contractors, entering data into the PERSEUS system on a daily basis and regular reporting to the competent institutions through the PERSEUS system, working out reports on the implementation of projects, preparing orders for collection from contractors in case of overpayments or detected inconsistencies, keeping records of data on the planned and disbursed national co-financing, dealing with disputes with the contractors related to payments, checking the funds available and writing the reports for all foreseen changes and any inconsistencies in carrying out the payments, preparing requests for advance payments, preparing the financial documentation for the auditors and the European Court of Auditors.

Over the past period, a draft-Banking Protocol for the first four IPA components by the employees at CFCD and NF was developed and submitted to the National Bank of the Republic of Macedonia for review and opinion. The NF prepared yet another draft-banking Protocol for the fifth component.

IPA foreign currency accounts by components of the National Fund have been opened at the National Bank of the Republic of Macedonia.

The discount rate to be applied in the financial projections for the IPA projects (particularly for projects in the third component) has been determined and officially approved by the Minister of Finance .

Internal audit has been introduced in most of the IPA units.

The terms of reference for signing an agreement with independent audit house to be engaged on assessing the harmonisation have been forwarded to the European Commission in October 2007.

SHORT-TERM PRIORITIES

- Signing financial contracts by Operational Programmes.

These contracts will define the rules of financial management of the IPA funds.

The signing of the Financial Contract for the Operational Programme for component three - regional development in the 2007-2009 period between the Government of the Republic of Macedonia and the European Commission is envisaged to take place in September 2008.

- Signing the Banking Protocol between CFCD, NF and NBRM is to take place in February 2008.
- Preparation of an audit trail by CFCD, NF, MTC and MEPP.

3.23 JUDICIARY AND FUNDAMENTAL RIGHTS

3.23.1 JUDICIARY

CURRENT SITUATION

LEGAL FRAMEWORK

The new Law on the Public Prosecutor's Office enhanced the position of the Public Prosecutor in the system of criminal justice by redefining the role of the public prosecutor's office in the pre-investigation procedure and control over the Police. A separate Basic Public Prosecutor's Office was established to prosecute organised crime and corruption. The Law has been aligned with Recommendation (2000) 19 of the Committee of Ministers of the Council of Europe and GRECO recommendations on the public prosecutor's function.

The Law on the Public Prosecutors' Council reinforces the sovereignty and independence of the Public Prosecutor's Office through redefining the system of selection, termination of the function and dismissal of the public prosecutors and redefining the positioning, the procedure, the organisation and the responsibilities of the body that will conduct selection and dismissal.

During 2007 all bylaws laid down in the Law on Judicial Council of the Republic of Macedonia and the Law on Courts as well as the Rulebook on criteria for assessment of the performance of judges were adopted.

The new Court Rules of Procedure introduces novelties for improved management of cases in courts through compulsory electronic registering of cases and their allocation to judges electronically by a random choice. In order to ensure efficient application of the new Court Rules of Procedure that entered into force on 1 January 2008, a training programme for keeping registers in electronic format was delivered and 250 officers from the court administration were trained.

For efficient implementation of the Law on the Academy for Training of Judges and Prosecutors, all bylaws, basic training curricula and curricula for continuous professional development, as well as the Training Calendar for Judges and Public Prosecutors of all appellate areas for 2008 were adopted.

In order to improve the status of judges, the Law on the Judges' Salary was adopted, which defines the criteria for deciding on salaries depending on the type of court, the function performed in a certain court and the status of a judge held at a specific court.

A new Law on Securing the Claims was adopted, which defines the legal means for securing the creditor's claims on the debtor, as well as the manner and the rules on the basis of which the court, the public notary and the enforcement officer perform within this procedure. It ensures legal security to the debtor to ask for damage claim from the creditor who secured his/her claim in this procedure, but through an illicit act caused damage to the debtor.

For effective enforcement of the Law on Administrative Disputes, an Instruction on the Manner of Taking over Cases from the Supreme Court of the Republic of Macedonia was adopted, in accordance to which 6664 administrative cases were taken over. A Rulebook on the Internal Organisation and a Rulebook on the Systematisation of the Administrative Court were adopted.

The Law on Notary Service incorporates new normative solutions in order to improve and to increase the quality of performance of notaries and their services to citizens and other beneficiaries, to enhance the legal security in legal transfers and to increase the accountability of the notary at performing the notary service; at the same time, the Law envisages responsibility on behalf of the notary to report corruption cases. It especially reinforces supervision over the performance of notaries by the Ministry of Justice and the Notary Chamber of the Republic of Macedonia.

The new Law on the Public Attorney's Office redefines the legal position of the Public Attorney's Office as an independent state body that advocates and protects the property rights and interests of the Republic of Macedonia. A Decision for Defining the Number of Public Attorneys and a Decision for Defining the Headquarters of the Public Attorneys and Court Areas in which Public Attorney Service is performed were adopted.

Aiming at efficient implementation of the Law on Misdemeanour, 110 laws which contain misdemeanour provisions were harmonised in the course of 2007.

INSTITUTIONAL FRAMEWORK

The Judicial Council of the Republic of Macedonia has been fully staffed and it operates with all its members appointed. In accordance with the authority to select judges, 73 judges have been selected to-date. 20 procedures were initiated and 4 judges were dismissed due to unprofessional and negligent performance of the judicial function. The renovation and adaptation of the

facilities of the Judiciary Council was completed; 635 out of the total number of 655 judges in the Republic of Macedonia have been appointed.

The new Appellate Court in Gostivar and the Administrative Court were established and are already operational. During November 2007, administrative judges attended an intensive training in the area of administrative law organised by the Academy for Training of Judges and Prosecutors (hereinafter referred to as "ATJP").

According to the new Law on Public Prosecutors Council the procedure for election of public prosecutors for council members terminated and 6 members of the Public Prosecutors Council were elected on 22.02.2008. The procedure for election of the 3 members of the Council by the Assembly is ongoing.

In September 2007, a basic training for the first generation of 27 candidates for judges and public prosecutors commenced at ATJP. Apart from the Director and the Executive Director, additional 13 individuals are employed at the Academy (8 are regularly employed and 6 are engaged on a contract basis).

Regarding the improvement of the judicial infrastructure, a Feasibility Study on developing a new court building in Skopje as well as project documentation (performance project plans) for reconstruction and equipment of 11 courts with extended competence was developed.

In December 2007, the Chamber of Enforcement Agents accessed the International Association of Chambers of Enforcement Agents. At the moment, 56 enforcement agents are selected and operational, covering 11 areas in the territory of the Republic of Macedonia. In the course of 2007, 44.885 requests for enforcement are submitted to the enforcement agents, of whom 12.102 are enforced (or the realisation is 27%).

Aiming at efficient implementation of the Law on Notary Service related to strengthening the supervision and control of disciplinary procedures against notaries, a Disciplinary Council of five members and their deputies has been established. In 2007, 3 disciplinary measures against notaries were pronounced, and in 2008 against 2 notaries but the sentences are not final yet. In 2007, 3 notaries were convicted for criminal acts committed while performing official duty (the sentence is not final yet) and the notaries are temporarily suspended.

In August 2007, the Chamber of Mediators became officially operational; 98 mediators have been selected. In 2007 20 initiatives for mediation disputes were accepted of which 15 cases (6 trade cases, 3 family, 2 labour and 4 other) are terminated by an agreement.

For successful implementation of the Law on Misdemeanour, Commissions for misdemeanour procedures are established in the state administrative bodies (MI, CA, Commission for protection of competition, MTC, State Market Inspectorate) and professional consultations with misdemeanour judges and representatives from the institutions are held.

Two new organisational structures have been established within the Ministry of Justice: the Sector for supervision of the performance of enforcement agents, notaries and mediators, and the Sector for Information and Communication Technology (IT Centre). The IT Centre operates in facilities equipped with state-of-the-art technology with 12 IT officers employed. WAN connection between the Ministry of Justice and the IT Centre has been established, and this connection was extended to include all courts in the Republic of Macedonia through the Supreme Court. A Display WAN-IP/VPN network was installed, as part of the Government project for transparent judiciary performance and information sharing with the citizens.

STRATEGIC DOCUMENTS

- Strategic Plan of the Ministry of Justice, 2008-2010.
- Strategy for Information and Communication Technology, 2007-2010
- Penitentiary Legislation Reform Strategy, 2007.

SHORT-TERM PRIORITIES (2008)

LEGAL FRAMEWORK

In order to ensure continuity in judicial reform and in line with further enhancement of established principles of independent and professional judiciary, the implementation of the Law on Courts and the Law on Judicial Council will continue.

The adoption of the Law on Judicial Service, to regulate the areas of rights, obligations and status of court administration members, as well as issues related to the specific status and the salaries of the court services, is in process. The Law will enable setting criteria for efficiency, improvement of court management, full utilisation of IT, as well as introduction of mechanisms for

protection of citizens against extensive court procedures. The major novelty that has been envisaged with this Law is the introduction of the court administrator post, an Administrative Council and a Commission for Case Flow Management.

In order to improve the operation of the Academy for Training of Judges and Prosecutors, the implementation of the Law and application of the standards for professional and expert judiciary will continue, as well as realisation of the plan for initial training of candidates for judges and prosecutors and Calendar 2008 for continuous training for judges and prosecutors.

Further implementation of the Law on Enforcement is envisaged in order to fully transfer enforcement cases from courts to enforcement agents.

Pursuant to the new, reform-oriented Law on Misdemeanours, the harmonisation of the legal framework for misdemeanour will be completed, in order to decrease the number of unsolved misdemeanour cases and to increase the efficiency of courts. The training for the members of the misdemeanour commissions within the state administration bodies, organisations and other institutions with public competences is ongoing.

In order to identify the effects of the application of the Law on Mediation, an analysis will be conducted, on the basis of which further activities for increasing citizens' awareness of mediation as an alternative way of solving disputes will be recommended.

In order to implement reforms in the prosecution area, and pursuant to the new Law on the Public Prosecutors' Council, activities for establishment of the Public Prosecutors' Council are in process. Following its establishment, the Public Prosecutors' Council will adopt the Rules of Procedure and a Decision on defining the number of public prosecutors, and commence a procedure for selection of public prosecutors for positions whose mandate has expired. Pursuant to the Law on Public Prosecutors' Office, the following bylaws will be adopted: a Rulebook on the supervision of performance and acting upon specific cases on the part of lower-instance public prosecutors' offices, a Rulebook on setting the procedure for identification of accountability on behalf of the public prosecutor and a Rulebook on the systematisation of job positions.

In order to provide for efficient judicial protection against administrative acts, an analysis on the adoption of the Law on Administrative Disputes will be conducted.

With the purpose of improved management of the judicial budget, adoption of amendments to the Law on Court Budget is ongoing. Amendments recommend that management of financial assets be done under the authority of the Judicial Council of the Republic of Macedonia.

For efficient implementation of the Strategy for reform of the criminal law from June 2007 aimed at improvement of the legislative framework in the criminal procedure and material law, the new Law on criminal procedure as well as amendments of the Criminal Code are envisaged. In cooperation with the Association for criminal law and criminology, series of comparative analyses, round-tables, workshops will be held towards preparation of these laws. In addition, adoption is planned of a Law on Management of Seized Property, Property Gains and Objects Seized in Criminal and Misdemeanour Procedures in order to avoid abuse and non-economic treatment of confiscated property.

In order to implement the Strategy for Information and Communication Technology for Judiciary, an Action Plan to implement the following activities will be developed:

- Establishment of centralised nomenclatures,
- Establishment of centralised statistics,
- Purchase of hardware, system software, and upgrading and maintenance of software applications.
- Upgrading of the Judiciary Information System (JIS) and its introduction in the performance of all courts in the Republic of Macedonia, as well as development of an application for management of the judiciary system nomenclature;
- Constant training of users of the Judiciary Information System (JIS) in all courts in the Republic of Macedonia.
- Purchase of adequate software applications for management and monitoring of the network and network services.
- E-mail system and introduction of the Internet to all judiciary institutions in the Republic of Macedonia.
- Upgrading of the "Legal Database" (LDBIS) Project.

INSTITUTIONAL FRAMEWORK

Regarding further improvement of the ATJP, staffing of its team will continue; in order to deliver its services on regional level, the Academy envisages provision of transportation means and ICT equipment.

In accordance with the Academy's calendar for 2008, some 250 training events are planned for judges and public prosecutors, court presidents and chief public prosecutors, field-of-activity associates, management and expert administrative officers in courts and public prosecutors' offices, administrative court and public prosecutors' clerks, in the following topics:

- Case Management
- Increase of the quality of judicial verdicts, trials within a rational timeframe
- Human Rights Protection
- Treating suits on violation of the European Convention on Human Rights in front of national courts
- Fight against Organised Crime (corruption, money laundering, terrorism)
- Trafficking in human beings, asylum and migration
- Juvenile justice
- Corporate Governance
- The Law of the European Union
- Access to justice and free legal aid
- IT technology
- Foreign languages
- Searching databases

The following will be delivered in concurrence: training for court presidents and public prosecutors (effective judiciary, time management, budget and human resources management), training of administrative court and public prosecutors' clerks (allocation of cases, time and case management and, for court administration and court management structures, ethics) and training for the Academy's employees (strategic planning, budget and human resources management).

In line with effective implementation of the Law on Courts, administrative and institutional capacities of new judicial structures will be strengthened in order to ensure their full operability and enhance their effectiveness. In order to project future staffing needs of each court, an analysis of the exact number of judges will be conducted.

For efficient usage of the IT system of the courts by the end of 2008 the training for additional 800 court clerks and councillors in courts will be provided for application of SIS. For maintenance of the IT system in the courts, 7 IT employments are envisaged for the courts with extended competences. For updating the LDBIS 10 temporary employment are envisaged.

Regarding further improvement of judicial infrastructure according to the project documentation, construction work for renovating and equipping of 7 basic courts with extended competences is planned. Furthermore preparation of project documentation for construction of new court building in Skopje is planned.

Following the amendments of the Law on Court Budget, the capacities of the Secretariat of the Judicial Budget Council of the Republic of Macedonia in court budget management will be strengthened.

In order to successfully implement new reform solutions intended for the public prosecution, adequate facilities and human resource capacities of the Council of Public Prosecutors, High Public Prosecution Gostivar and new Basic Public Prosecutor's Office for Organised Crime and Corruption will be provided.

In line with further strengthening of the capacities of the Public Attorney's Office, vacancies will be filled in, a web site will be developed, and IT equipment will be provided.

MEDIUM-TERM PRIORITIES, 2009-2010

LEGAL FRAMEWORK

In line with further implementation of reforms in the public prosecution field, the enforcement of the Law on the Public Prosecutor's Office and the Law on the Public Prosecutors' Council will continue, and adoption of a Law on the Salaries of the Members of the Public Prosecutors' Council and of a Law on the Salaries of Public Prosecutors is envisaged.

In order to ensure equal and improved access to justice for citizens that cannot afford legal services, a Law on Free Legal Aid will be adopted. The Law will incorporate the provisions of Resolution (76) 5 on legal aid in civil, commercial and administrative matters adopted by the Committee of Ministers of the Council of Europe in 1976, Resolution (78) 8 on legal aid and advice adopted by the Committee of Ministers of the Council of Europe in 1978, as well as Recommendation R (93) 1 of the Committee of Ministers of the Member States on effective access to the law and to justice for the very poor adopted in 1993, which envisages facilitation of effective access to the law for the very poor and establishment of legal advice services.

In the course of 2009 the Analysis of the effects on the implementation of the Law on Courts will be drafted.

INSTITUTIONAL FRAMEWORK

ATJP will continue staffing its capacities, introducing an electronic Case Register, as well as upgrading the existing library. In order to improve the conditions for training delivery, the possibility to enlarge the spatial capacities of the Academy will be taken into consideration.

In 2009-2010 the activities for renovation and equipping of the other 4 basic courts with extended competences will continue.

An analysis of the capacities of the entire prosecution structure will be conducted in order to strengthen the administrative and institutional capacities adequately and ensure efficient performance of the public prosecution in accordance with the reform-oriented normative solutions.

Implementation of the Strategy for Information and Communication Technology in the Judiciary

- Development and implementation of the Document Management System (DMS) in judiciary institutions
- Development and implementation of a software application for the State Administration Inspectorate
- Development of a software application for the Ministry of Justice
- Development of web portals for judiciary institutions for posting information of public character
- Development and implementation of a new Case Management System (CMS) in judiciary institutions
- Upgrading the software application at the Directorate for Execution of Sanctions and introduction of the application in the operation of all penitentiaries in the Republic of Macedonia
- Upgrading the software application in public prosecutors' offices and introduction of the application in the operation of all public prosecutors' offices in the Republic of Macedonia
- ICT equipment upgrading for the Training Centre for the Staff of Penitentiary Institutions in the Republic of Macedonia
- Broadening and maintenance of WAN broadband virtual private network for judiciary institutions in the Republic of Macedonia

FOREIGN ASSISTANCE

EU Funds

- Instrument for Pre-accession Assistance (IPA) – Support for more efficient, effective and modern performance and operation of the Administrative Court. (EUR 1,100,000.00, September 2008 – September 2009). The project aims at supporting the implementation of the Judicial Reform Strategy on operational level through establishment of administrative justice, implementing the Law on Administrative Disputes, which transfers competencies for first-instance settlement of administrative disputes from the Supreme Court of the Republic of Macedonia to the newly established Administrative Court.
- Project CARDS 2004 – Technical assistance to support the development of the Centre for Continuous Education of Judges and Prosecutors – phase II (EUR 1,099,000.00 September 2006 – September 2008) - this project is continuation of the 2001 CARDS Project on assistance for the establishment of the Institution for training of judges and prosecutors; this Project's general objective is provision of technical assistance and support for the Academy for Training of Judges and Prosecutors and building its capacities for provision of required services, as well as provision of its sustainability.
- Project CARDS 2005 Twinning – Support to the Public Prosecutor's Office: *Organised crime* (2007-2009, EUR 1,400,000.00) - oriented towards strengthening the capacity of the Unit for Prosecution of Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption within the Public Prosecutor's Office.
- Project CARDS 2006 – *Further implementation of the Judicial Reform Strategy and Action Plan* (planned EUR 2,200,000.00) – oriented towards support of the development of the penitentiary system with technical assistance (or twinning) and a section on procurement and construction (reconstruction of prisons) included.

The World Bank

- Project - Legal and Judicial Implementation and Institutional Support 2006-2011, EUR 12,000,000.00 (a loan with 16% participation from the Government). The purpose of the Project is to contribute to the improvement of judicial efficiency and effectiveness within the business environment of the Republic of Macedonia. The Project will support the establishment of the new Judicial Council, administrative inspections and administrative dispute settlement, improvement of bankruptcy management procedures, improvement of the court infrastructure, strengthening court information and technological systems.

USAID

- Project DPK/USAID – Judicial Reform Implementation (USD 5,998,309.00, June 2002 – December 2005, extended until September 2007).
- Memorandum for Cooperation and Understanding between the USAID Human and Institutional Development Program, World Learning, and the Ministry of Justice – Implementation of a package of recommended interventions

arising from the performance assessment of the Ministry of Justice conducted in June 2006 and the Final Performance Evaluation of the Ministry of Justice which will be carried out following the implementation of the intervention package in line with the performance and management improvement in the Ministry, with the purpose of realisation of the key deliverable of the Ministry of Justice – providing contribution to the society through transparent, efficient and effective performance in service of the citizens and by meeting strategic priorities maintained by the Government of the Republic of Macedonia.

OSCE

- Further development of the Judicial Reform Strategy
- Juvenile Justice – from paper to practice
- IHL/Training programme for war crime disputes
- Workshops and conferences on Criminal Law, 2007
- Training seminars and workshops for defence attorneys
- Internal quality control and judge performance audit
- Continuous legal training for young Macedonian law workers
- The role of public prosecutors in investigations
- Planning workshops for implementing partners of the judicial reform

(OPDAT)

Program for Prosecutorial Development, Assistance and Training – focused on improving the skills of professionals in the system of criminal justice in the areas of suppression of criminal acts of trafficking in human beings, trafficking in narcotics, money laundering and confiscation, corruption, organised crime, financial crime, criminal accountability of legal entities, criminal acts against international law, prosecutorial-court management, guilt bargaining and giving recommendations for legislative amendments.

The International financial Corporation (IFC)

- Alternative Dispute Resolution – The Private Enterprise Partnership for Southeast Europe Project, IFC (ADR PEP-SE) 2005-2008 – technical assistance for improvement of access to justice by introducing mediation as an alternative means of dispute resolution.

3.23.2 ANTI-CORRUPTION POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

The Assembly of the Republic of Macedonia ratified the *UN Convention against Corruption* in March 2007.

The Law Amending the Law on Prevention of Corruption regulates the procedure for investigation of the property status of elected and appointed holders of public title, determining the value of the taxation basis, and provides further detailed description of activities of the Public Revenue Office in the taxation procedure of persons obliged to report any change in their property status.

The *Law on Notary Service* (adopted in April 2007) introduces the notaries' obligation to report on any suspicion in their clients' money laundering and corruption. The Law has been harmonised with Directive 2001/97/EC of the European Parliament and of the Council of 4 December 2001 amending Council Directive 91/308/EEC on prevention of the use of the financial system for the purpose of money laundering.

The new *Law on Financial Police* adopted in May 2007 is aimed at strengthening the coordination and information exchange among the Financial Police, the Customs Administration, the Public Revenue Office, and the Ministry of the Interior (having in consideration the fact that all these authorities gained equal authorisations in the pre-investigation procedure according to the amendments to the Law on Criminal Procedure).

The *Law on Conflict of Interests*, adopted in June 2007, is aimed at achieving greater transparency in the efforts to prevent and overcome situations leading to conflicts of interest relating to the holders of public titles and officials in general, employed in state bodies, in municipality bodies, as well as in other institutions that use funds from the Budget of the Republic of Macedonia i.e. from the municipal budget in their work.

The *Law Amending the Law on State Audit*, adopted in November 2007, has been harmonised with Regulation No 718/2007 of the European Commission of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an Instrument for Pre-Accession Assistance – IPA; according to this Law, an Audit Body of the European Union shall be established for pre-accession funds in the Republic of Macedonia.

The Law on Public Procurement was adopted in November 2007 and will enter into force of 1 January 2008 aimed at greater transparency in the public procurement procedures.

In May 2007, the State Commission for Prevention of Corruption adopted a new *National Programme for Prevention and Suppression of Corruption with Action Plan*.

In the context of ensuring a comprehensive approach in the fight against corruption, the Government of the Republic of Macedonia, in June 2007, adopted the *Action Plan for Fight against Corruption 2007 – 2011*.

The Customs Administration of the Republic of Macedonia, in September 2007, adopted the *Code of Conduct*, and in October 2007, the *Strategy for Fight against Corruption*.

In October 2007, on its 34th plenary session, GRECO adopted the *Report on implementation* of the recommendations of the second round of evaluation for the Republic of Macedonia with a conclusion that *two thirds of recommendations are successfully implemented* relating to: the new National Programme for Prevention and Suppression of Corruption, anti-corruption measures relating to local authorities, 'e-government', introduction of a specialised Administrative Court, strengthening and intensifying cooperation between authorities competent for implementation of the Law and the Public Prosecutor's Office with authorities competent for reporting suspicions on corruption, strengthening the control functions of courts competent for registration of legal entities relating to the identity of founders and establishing a centralised register of legal entities.

In January 2008, the Council of the Government for implementation of the Action Plan for Fight against Corruption was established, competent for: coordination, monitoring and ensuring implementation of the measures and activities stipulated in the Government Action Plan for Fight against Corruption 2007-2011; monitoring of the implementation of anti-corruption legislation by authorities and institutions in competence of the Government; monitoring the implementation of obligations arising from international agreements ratified in the area of anti-corruption policy; coordination of governmental anti-corruption policies; adoption of decisions necessary for implementation of anti-corruption measures, in particular of those required for financial allocations; evaluation and suggestion of reviews of the existing Action Plan for Fight against Corruption of the Government.

INSTITUTIONAL FRAMEWORK

Staff capacities of the Secretariat of the State Commission for Prevention of Corruption (SCPC) have been strengthened and premises provided. In 2007 the SCPC submitted 7 initiatives for criminal procedure for suspicions of criminal acts of corruption. In the same year SCPC initiated 22 procedures for conflict of interest, of which 12 are terminated and 10 are ongoing.

For strengthening the capacities of the Public Prosecutor's Office relating to processing criminal acts in the area of organised crime and corruption, according to the new Law on Public Prosecutor's Office, a new separate Basic Public Prosecutor's Office for Organised Crime and Corruption has been established.

For the purpose of carrying out activities of the Public Revenue Office in terms of the procedure for property status determining, a new Unit for Prevention of Corruption has been established performing control and compares the data in the questionnaires and in 2007 initiated 10 procedures.

A system-based approach has been introduced for strengthening the capacities of the Customs Administration relating to the fight against corruption, and training has been carried out to customs officers and managing staff on integrity and fight against corruption.

The *Inter-ministerial Body for Coordination of the Activities in Fight against Corruption* maintains continuous meetings intended for coordination of activities maintained by competent authorities in the fight against corruption, strengthening mutual cooperation and mutual informing, exchange of information and data as well as realisation of recommendations incorporated in GRECO reports and in the reports of other international organisations.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In order to realise the obligation for introducing the institute of extended confiscation regulated by the Framework Decision 2005/212/JHA of the Council of Europe of 24 February 2005 on Confiscation of Crime-Related Proceeds, Instrumentalities and Property, amendments to the Criminal Code and to the Law on Criminal Procedure have been drafted.

To avoid misuse and imprudent conduct in handling seized property, the Law on Managing Seized Property, Proceeds and Taken Items in Criminal and Misdemeanour Procedures has been drafted. For the purpose of adoption thereof, the Agency for Handling Seized Property will be established.

Legislation regarding the application of special investigation measures will be reviewed in terms of criminal acts relating to corruption; thus intervening in the Law on Criminal Procedure.

In the context of strengthening operational capacities of the State Audit Office, as well as further promoting cooperation with competent authorities a new Law on State Audit will be adopted.

For implementation of the new Law on Public Procurement, adoption of approximately 14 bylaws has been envisaged.

For the purpose of further suppression of corruption, the implementation of activities arising from State Programme for Prevention and Suppression of Corruption of the State Commission for Prevention of Corruption

The preparation of the budgetary implications for implementation of the Action Plan for Fight against Corruption of the Government is ongoing.

In terms of implementation of GRECO recommendations (first and second round of evaluation), the following activities will be carried out:

1. Establishing criteria for processing and deciding on requests for revoking immunity of members of the Assembly of the Republic of Macedonia by means of amending the Rules of Procedure of the Assembly of the Republic of Macedonia;
2. Training intended for judges, public prosecutors and law enforcement bodies on practical implementation of the provisions on confiscation and seizure of proceeds from crime for the purpose of implementation of legislation on confiscation and seizure of proceeds from crime;
3. Adoption of the Code of Ethics for members of the Government and holders of public titles, and training on practical application of the Code of Ethics for civil servants relating to the obligation to report any suspicion on corruption; as well as introducing codes of conduct for all public officials, in which clear rules for reporting suspicion on corruption will also be incorporated.
4. For the purpose of further harmonisation with Article 18 of the Council of Europe's Criminal Law Convention on Corruption, issues on the liability of legal entities for the criminal act of unlawful intermediation will be regulated.
5. Adoption of the Law on the Status and Conditions for Employment of Public Officials – in the direction of establishing a regulatory framework of modern administrative principles applicable for a large number of public officials not being civil servants, to be consistent, to the extent possible, with regulations applicable to civil servants.
6. Training for the Police, prosecutors and judges on corporate responsibility of legal entities and on conducting criminal procedures against legal entities.

In the context of realisation of the recommendations provided by the State Commission for Prevention of Corruption and the State Audit Office, further strengthening of the entire cooperation and coordination among competent authorities in the fight against corruption (SCPC, PPO, MI, PAORM, PPB, FP, SAO, DPML, Courts) will continue, as well as implementation of memoranda of cooperation and continuous exchange of data, and delivery of certain laws to the SCPC for provision of its opinion.

For the purpose of implementation of the Law on Prevention of Conflicts of Interest, the Programme for Prevention and Reduction of the Occurrence of Conflicts of Interest will be adopted.

In terms of restriction of discretionary rights of public officials, an analysis will be drafted, on which basis appropriate interventions will be made in the relevant laws by identifying discretionary rights that are to be abolished.

To increase the transparency of financing political parties, issues of funding election campaigns will be further regulated by amendments of the Electoral Code. The State Audit Office will conduct supervision of material and financial operations of the political parties, and audit of donations supplied to political parties.

In the context of successful application of new amendments to the Law on Prevention of Corruption in relation to property and material status, the amendments to the Law on the Public Revenue Office will provide civil servants with special authorisations. The intervention in the Law enables the State Commission for Prevention of Corruption (SCPC) and the Public Revenue Office (PRO) to inspect the property-material status.

In the context of raising citizen awareness, in particular that of the youth, a project for a survey of the citizens' perception on the level of corruption and a victimological analysis will be drafted as a legal mechanism for prevention and repression of

corruption. Furthermore, as preventive action targeted to young generations within the frame of education system curricula, contents and issues will be introduced touching the area of anti-corruption.

For full implementation of the Law on Free Access to Public Information, an analysis will be drafted incorporating further measures and activities relating to this issue and training to providers of public information.

INSTITUTIONAL FRAMEWORK

For continuity of efficient suppression of corruption as a result of the scope of work, the institutional and staff capacities of the State Commission for Prevention of Corruption (SCPC), the Ministry of the Interior (MI) and the Public Prosecutor's Office of the Republic of Macedonia (PPO) will be strengthened, and appropriate premises conditions and technical equipment will be provided for application of special investigation measures. For further efficient fight against corruption, regional and international cooperation with relevant institutions will continue.

For the purpose of strengthening the role of PRO and SCPC with regard to recording the property and inspection of survey forms, it is envisaged to create and update a database at the SCPC for property recording and to establish network connection with the PRO database. Training to the staff in the SCPC Secretariat and at the PRO will be carried out on the application of the new system for collecting and exchange of data.

In the direction of improving the electronic system for collecting and exchange of data among competent authorities for fight against corruption, network connection of databases of these institutions will be established.

In the direction of strengthening the capacities of SCPC, MI, PPO, FP, and PPB for the purpose of efficient prevention of corruption, training will be carried out, and required technical equipment will be procured.

As a medium-term priority, network connection of databases of competent institutions for fight against corruption will be installed.

MEDIUM-TERM PRIORITIES

Successful implementation of activities arising from the National Programme for Prevention and Suppression of Corruption of the State Commission for Prevention of Corruption and the Action Plan for Fight against Corruption of the Government of the Republic of Macedonia for full implementation of the Programme for Prevention and Reduction of Occurrence of Conflicts of Interest.

3.23.3 FUNDAMENTAL RIGHTS

PERSONAL DATA PROTECTION

CURRENT SITUATION

LEGAL FRAMEWORK

The Republic of Macedonia has ratified the Convention for Protection of Individuals with regard to Automatic Processing of Personal Data adopted in the Council of Europe on 28 January 1981. With regard to the Council of Europe Additional Protocol to the Convention 108/81 regarding supervisory authorities and transborder data flows, the Republic of Macedonia, through its Ministry of Foreign Affairs has submitted an instrument for its signing as a substitution of a signature, thus expressing its political will for the acceptance of this legal document. In addition, ratification of the Additional Protocol will pursue.

The Republic of Macedonia has adopted the Law on Personal Data Protection, which entered into force in February 2005. The Law is harmonised with Directive 95/46/EC of 1995, Commission Decisions 2001/479/EC and 2004/915/EC, and Convention No 108 of the Council of Europe of 28 January 1981. In December 2007, the transition period was completed for full harmonisation of controllers' activities with the Law on Personal Data Protection.

The bylaws (rulebooks) for the purpose of direct implementation of the Law on Personal Data Protection were adopted in December 2005 and published in the Official Gazette of the Republic of Macedonia No 111/05.

Personal data protection in certain specific sectors:

- Police sector – the Law on Police was adopted in 2006, and entered into force in November 2007; harmonised with EU regulations relating to personal data protection in the police sector,
- In the statistic sector, with the amendments of the Law on State Statistics was adopted and entered into force in 2007; harmonised with the Act on Community Statistics,
- The harmonisation of relevant regulations in other sectors is ongoing.

INSTITUTIONAL FRAMEWORK

The Directorate for Personal Data Protection is an autonomous state authority with the capacity of a legal person that carries out supervision on activities undertaken in the personal data processing and protection field. It was established in June 2005 in accordance with the provisions of the Law on Personal Data Protection.

The Director of the Directorate for Personal Data Protection is appointed by the Assembly of the Republic of Macedonia for a period of five years having right to re-election, but not more than twice. The Director submits an Annual Report to the Assembly of the Republic of Macedonia.

The employees in the directorate have a status of civil servants. The total number of employees in the Directorate, including persons appointed (Director and Deputy Director) at the end of 2007 is 17 (recording an increase of 24% compared to the previous year).

Following the provision of premises for the staff and equipment for information support, in 2007, special attention was paid to the building of administrative capacities for performing the basic operation of the Directorate laid down in the Law on Personal Data Protection.

The Directorate, in 2007, is fully operational in terms of:

- Carrying out administrative supervision in line with previously defined programme for administrative supervision as well as carrying out incidental supervision upon reports and complaints submitted. With regard to supervision, we would like to emphasise that, in addition to the controlling component, they had educational focus, through identified inconsistencies in the application of the Law and defining deadlines for their elimination. The fact that most controllers having been controlled and where inconsistencies were identified, informed the Directorate that within the transition period they had eliminated the inconsistencies and adjusted their operation with the provisions of the Law - is especially encouraging. At the same time, certain supervision actions have been carried out upon anonymous reports and complaints submitted by citizens.
- Carrying out procedures upon requests and complaints submitted by citizens relating to violation of the right to personal data protection guaranteed by the Law. A Commission within the Directorate, comprised of three members, decides in first instance on complaints submitted, and the Director decides in second-instance procedure. Court protection has been provided when initiating administrative dispute against the Directorate's final decisions. The Commission, during 2007, decided in first-instance on all the requests submitted. Violations were ascertained in some of them and decisions taken which, after the completion of the appealing procedure, remain final. Violations mostly referred to inappropriate protection of the Personal Identification No, identity theft, ill-founded publication of personal data on the Internet, etc.
- Inclusion in the drafting and harmonisation of relevant legislation with EU regulations, by providing opinions relating to personal data protection which, in the previous two years were fully respected by competent authorities (participation in drafting the Law on Police, as well as draft laws and bylaws for further regulation of personal data protection in the areas of health, statistics, pension funds, social security, telecommunications, banking, etc.).
- Providing expert opinions upon controllers' requests relating to the application of the Law on Personal Data Protection in particular with regard to conclusion of memoranda/protocols for exchange of personal data between state authorities of the Republic of Macedonia and relevant institutions from other countries (in the area of customs, internal affairs etc.), opinions on numerous requests by controllers concerning the transfer of personal data across the borders of the Republic of Macedonia video surveillance, publishing personal data on the Internet, as well as access to collections of personal data in the country.
- Providing opinions on the content of controllers' general acts relating to personal data protection;
- Practice was established to respond by issuing reprimands to controllers in cases of their illegal publication of personal data by controllers in any manner.

During 2007:

- The website of the Directorate was released,
- The application for the Central Register of Personal Data Collections was prepared and published on the Directorate's website as a pilot version,
- A TV video was designed and is being broadcast by a TV station in Skopje and by several local TV stations throughout Macedonia, This video is also published on the Directorate's website,
- An Open Day of Personal Data Protection was organised,
- Numerous seminars were organised for various target groups,
- Supplements and interviews on personal data protection were published in electronic and printing media.

The Directorate initiated international cooperation (it became member of the Conference of the European Institutions for Protection of Personal Data and of the Conference of Personal Data Protection Institutions in Southeast Europe). In 2006, the Directorate signed a Cooperation Agreement with the Office for Personal Data Protection of the Czech Republic, and another one in 2007, with Italy. The Directorate became member of the T-PD Consultative Committee within the Council of Europe. Furthermore, in the

capacity of a country observer, the Directorate participated in the meeting of the Working Group 29 within the European Commission's Directorate-General for Justice, Freedom and Security of. The Directorate is included in the Working Group whose activity is focused on the establishing of an integrated system of criminal intelligence, action, meeting thereby requirements for the conclusion of an operational agreement with EUROPOL, working group for taking all activities focused on the adoption of the SELEC Convention; the Directorate is actively involved in activities focused on commencing negotiations on the conclusion of an Agreement with EUROJUST; working groups were active in the establishing of a private credit bureau, working groups are operational in the area of telecommunications etc..

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

By the end of 2008 the following activities will be realised:

- Ratification of the Convention 108/81 on Protection of Individuals with regard to Automatic Processing of Personal Data;
- Commencement of full implementation of the Additional Protocol to the Convention 108 of the Council of Europe, regarding supervisory authorities and transborder data flows;
- Adoption of amendments to the Law on Personal Data Protection for the purpose of full harmonisation with Directive 46/95 and Convention 108/81 as well as with the Additional Protocol to this Convention;
- Some bylaws deriving from the amendments to the Law on Personal Data Protection will be amended;
- The Directorate will take active part in the proceeding of proposals on amending the legal regulation in terms of personal data protection, envisaged to be adopted in 2008;
- The Directorate will continue to monitor the harmonisation of controllers' acts and operation with the Law on Personal Data Protection and related bylaws.

INSTITUTIONAL FRAMEWORK

By the end of 2008 the following activities will be realised:

- Cooperation with the Ministry of the Interior will be strengthened for the purpose of implementation of the new Law on Police and accomplishing operative cooperation between the Republic of Macedonia and EUROPOL, as well as activities relating to the Schengen System;
- The Strategic Plan for the 2007 – 2010 period will be updated by annual programmes of implementation;
- A Central Register containing data on personal data collections maintained by controllers will be established;
- An analysis of proposals incorporated in amendments to the Law on Personal Data Protection will be drafted relating to implementation of inspection supervision and to control and acting upon requests submitted by citizens for the purpose of harmonisation of work, in particular for establishing and operation of the Misdemeanour Commission;
- A Plan for Supervision and Control will be drafted and implemented, relating also to performing incidental supervision and control;
- The contents of the Directorate's website will be continuously updated and enhanced.

3.23.4 EU CITIZENS' RIGHTS

This area will be subject to alignment in the mid term. Among other things, Community measures set detailed rules on the right of EU citizens to move and reside within the territories of EU Member States. In this regard, specifying the institution responsible for implementation of Directive (32004L0038) on the rights of citizens of the Union and their family members to move and reside freely within the territories of EU Member States is planned. In addition to the right to free movement, there is a need for further harmonisation in the field of the right to vote. As a medium-term priority, amendments to the Electoral Code will be drafted, for constituting the right to vote with citizens of other EU Member States. The European Union has a specified legal framework for organisation of elections for the European Parliament, which guarantees that citizens of the Union residing in a Member State where they are not nationals, may participate in that country's local and parliamentary elections under the same conditions as the nationals of that country. For that purpose, the Act on Election of Members to the European Parliament needs to be accepted. In addition, according to Article 13 of Directive (31993L0109) a national contact office should be established.

3.24 JUSTICE, FREEDOM AND SECURITY

3.24.1 MIGRATION

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Foreigners (Official Gazette of the Republic of Macedonia No 35/2006 and 66/2007) that regulates the conditions for entry exit and stay of foreigners in the Republic of Macedonia will be applied as of 1 January 2008. The following bylaws have been adopted on the basis of this Law: Rulebook on the manner of issuance of visas to foreigners, extension and reduction of their validity, revoking, cancellation visas, visa forms, the manner of keeping records (Official Gazette of the Republic of Macedonia No 71/2007) and Rulebook on the house rules of the Shelter Centre for Foreigners (Official Gazette of the Republic of Macedonia No 6/2007).

The Law on Employment and Work of Foreigners (Official Gazette of the Republic of Macedonia No 70/2007) regulates the conditions and procedures under which foreigners can be employed and can work in the Republic of Macedonia, unless otherwise provided by international agreement. On the basis of the Law, the following bylaws have been adopted: Rulebook on the procedure of registration and completion of work managed by foreigners (Official Gazette of the Republic of Macedonia No 108/07) and the Rulebook on the procedure for issuing working permits, and the form and contents of the special types of work permits (Official Gazette of the Republic of Macedonia No 108/07).

The Republic of Macedonia has ratified the Agreement between the European Community and the Republic of Macedonia on readmission of persons residing without authorisation.

Strategic Plan: Within the framework of the Public Security Programme, Programme A.2. Border Issues and Migration, among others, activities for prevention of illegal migration, control of movement and stay of foreigners as well as implementation of the Law on Foreigners will be realised.

INSTITUTIONAL FRAMEWORK

The Ministry of Interior performs activities related to the control of movement and stay of foreigners in the Republic of Macedonia. The Department for Foreigners and Readmission in accordance with its systematisation is located within the Sector for Border Affairs and Migration. That department monitors the situation, coordinates and directs the activities, provides expert instructions, deals with and resolves administrative procedures and performs direct operative activities relating to the visa regime of the Republic of Macedonia with foreign countries, issues licenses for approval of temporary and permanent stay of foreigners on the territory of the Republic of Macedonia and maintains record of foreigners in the Republic of Macedonia. Organisational units are established within the regional centres 'East', 'West', 'North' and 'South', whose competences relate to the stay of foreigners in the Republic of Macedonia.

The Ministry of Foreign Affairs is a competent authority for decision-making on issuance of visas and issuance, as well as for implementation of the procedures for issuance of entry visas in the Republic of Macedonia. The Directorate for Consular Affairs within the MFA is in charge of the implementation of visa policy. In line with the new internal systematisation, the Directorate for Consular Affairs has been restructured in two organisational forms: Sector for Consular Affairs and Borders and Sector for Visa Centre, Diplomatic and Official Passports and Visas.

The State Statistical Office carries out regular statistical research of migrations in the Republic of Macedonia. The Unit for Demography within the Sector for Social Statistics is an organisational unit that carries out statistical survey, which enables monitoring internal migrations (within the Republic of Macedonia) and external migrations.

The Unit for Asylum, Migration, Internally Displaced Persons, Persons under Humanitarian Support, and Returned Persons by the Readmission Agreement is an organisational unit within the Ministry of Labour and Social Policy, which participates in creating the policy of employment and work of foreigners, reintegration of returned persons by the readmission agreements and integration of refugees in the Republic of Macedonia.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The Assembly of the Republic of Macedonia, on the Government proposal, will adopt Resolution on Migration Policy which will determine the migration policy and the grounds of employment policy and work of foreigners. The Draft Resolution of the Government of the Republic of Macedonia is being drafted by the Ministry of Interior in cooperation with the Ministry of Foreign

Affairs and the Ministry of Labour and Social Policy. For the purpose of realisation of the said activities during 2008, inter-ministerial group will be established to define the aspects relating to migration policy.

Remaining bylaws deriving from the Law on Foreigners are envisaged to be adopted as follows: Rulebook on the manner of issuance of travel and other documents to foreigners, the manner of keeping records of the issued travel and other documents and the forms of those documents and Rulebook on the manner of approval and rejection of entry, issuance of license for temporary and permanent stay, returning and expelling a foreigner, as well as forms of the applications for their issuance are legal basis for issuance of travel and other documents to foreigners (passport for foreigner, travelling list for foreigner, temporary stay and permanent stay permits). Issuing of the said documents that are distinguished by high protective elements is realised within the framework of the Project *New Personal Documents*.

On the basis of the determined employment policy and work of foreigners, the Government will define annual quota of work permits determined for the next year by decision taken before the fourth quarter in the current year.

The interministerial body for strengthening the system for integration of refugees and foreigners in the Republic of Macedonia will draft a strategic document for integration of refugees and foreigners. This document will integrate migration policy, asylum policy, integration policy and return and readmission policy;

The Republic of Macedonia has commenced procedure for concluding readmission agreements with the Bosnia and Herzegovina, Moldova and Ukraine. The texts of agreements are aligned and activities taken for their conclusion.

Procedure for concluding readmission agreement with Republic of Montenegro and Republic of Serbia has been initiated. They are envisaged to be concluded by the end of 2008.

INSTITUTIONAL FRAMEWORK

For the purpose of implementation of the Law on Foreigners and strengthening the administrative capacities the following training will be realised:

- Training to inspectors competent for foreigners relating to the application of the Law on Foreigners is envisaged during 2008 within the framework of the AENEAS Project – sound institutions and common approach in asylum, migration and visa management in the Western Balkans;
- Training on use of the National Visa Information System of the Visa Centre in the Ministry of Interior that will be carried out by the firm SRCSI from Slovenia during 2008;
- Training on the manner of issuing travel and other documents for foreigners that will be carried out during 2008;
- Training to inspectors for foreigners carried out by the Unit for Foreigners and Readmission relating to application of the Law on Foreigners and bylaws.

To strengthen the administrative capacity of the Unit for Asylum, Migration, Refugees, Internally Displaced Persons, Persons under Humanitarian Support and Returned Persons by the Readmission Agreement within the Ministry of Labour and Social Policy, staffing is planned and the funds needed are already envisaged in the Budget of the Republic of Macedonia for the current 2008).

The Ministry of Labour and Social Policy, the Ministry of Interior, the Ministry of Foreign Affairs and the Ministry of Health will draft programmes that will provide assistance for reintegration of persons returning to Republic of Macedonia on the grounds of readmission agreements. Upon drafting the programmes during 2008 the necessary funds from the Budget of the Republic of Macedonia will be anticipated as well as the possibility of obtaining foreign assistance.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In the direction of full harmonisation of the national legislation with Council Directive 32003L0109 concerning the status of third country nationals who are long-term residents, the need for amending the Law on Foreigners emerges. The amendments to the Law will refer to anticipating provisions for excluding the possibility for persons under subsidiary protection to obtain permanent stay. At the same time, in the direction of full harmonisation with the Council Directive 32004L0114 on the conditions of admission of third-country nationals for the purposes of studies, pupil exchange, unremunerated training or voluntary service, it is necessary to amend the Law on Foreigners relating to anticipation of provisions for issuing temporary stay permit for volunteers and persons attending training free of charge.

The Law on Foreigners lays down the decision period, conditions for issuance, renewal and withdrawal of the stay permit of the victims of trafficking in accordance with Council Directive 2004/81/EC of 29 April 2004 (32004L0081) relating to stay permit for third country nationals victims of trafficking or persons subjected to action of illegal migration, having cooperated with the competent authorities. In the direction of harmonisation with the said Directive, it is necessary to amend the existing legislation in terms of

anticipating the access to the labour market, education and professional training of this category of foreigners. All abovementioned harmonisation with the relevant acquis in the area of migration will be realised in the course of 2009.

In the direction of prioritising the policy of voluntary return in the country of origin, transit or return in third country, the Ministry of Interior, in the course of 2009, will draft programmes for voluntary return of sheltered persons.

With regard to statistical monitoring of migrants, harmonisation of the national standards with international and classification will be provided (ISCED-97, ISCO-88, NUTS) as well as implementation of Regulation No. 862/2007/EC of the European Parliament and of the Council of 11 July 2007 relating to Community statistics for migration and international protection and repealing Council Regulation (EEC) No 311/76 on the compilation of statistics of foreign workers.

Upon the accession of the Republic of Macedonia in EU, conditions will be created for transposition of the following Directives:

- Recommendation of the Council of 27 September 1996 (31996H1014) on combating the illegal employment of third country nationals;
- Council Directive (32003L0110) on assistance in cases of transit for the purpose of removal by air;
- Council Decision (32001L0040) on the mutual recognition of decisions on the expulsion of third country nationals. The reasons for exclusion laid down in Article 3 of that Directive are provided for in the Law on Foreigners; however, full application of the said Directive will be enabled by obtaining the membership status.
- Council Decision 2004/573/EC of 29 April 2004 (32004D0573) on the organisation of joint flights for removals from the territory of two or more Member States, of third country nationals who are subject to individual removal order.
- Council Decision (31996Y0919) (15)) on the organisation and development of the Centre for Information, Discussion and Exchange on the Crossing of Frontiers and Immigration (CIREFI). Following the accession in EU, the Republic of Macedonia can define its representatives in CIREFI, whose essential objective is assistance to the Member States in effectively studying legal immigration, in preventing illegal immigration and illegal stay, combating immigration crime, facilitator networks, in better detecting forged documents and in improving expulsion practice.
- Council Regulation EC 377/2004 of 19 December 2004 (32004R0377) on the creation of an immigration liaison officers network. In accordance with the existing regulation in the Republic of Macedonia (Law on State Border Surveillance, Law on Police) legal basis exists for posting liaison officers to other countries on the grounds of ratified international agreements. However, inexistence of cooperation agreement with the EU Member States hinders the application of this Directive.
- Council Decision (32005D0687) on the format for the report on the activities of immigration liaison officers networks and on the situation in the host country in matters relating to illegal immigration
- Council Decision 2005/267/EC of 16 March 2005 (32005D0267) establishing a secure web-based Information and Coordination Network for Member States' Migration Management Service
- Commission Decision of 15 December 2005 laying down detailed rules for implementation of Council Decision 2005/267/EC.

INSTITUTIONAL FRAMEWORK

In the direction of strengthening the administrative capacities, technical equipping with 20 computers is required for regional organisational units within the Department for Foreigners that regulate the movement, stay and control of foreigners in the Republic of Macedonia during 2009. Introducing electronic track of all migration occurrences is also foreseen.

FOREIGN ASSISTANCE

- The AENEAS Project - Training Action on Asylum and Immigration for Civil Servants in the Western Balkans (sound institutions and common approach in asylum, migration and visa management in the Western Balkans);
- The Project *New Personal Documents* implemented by the firm "Giesecke & Devrient", relating to issuance of passports to foreigners, travelling list to foreigners, temporary and permanent stay permits. The value of the Annex to the Agreement according to which travel and other documents for foreigners will be issued amounts to EUR 3.4 million, EUR 1,990,000 of which was paid off during 2007, and the rest amounting to EUR 1,410,000 is intended for maintenance and is to be paid off in the next two years. It is necessary to anticipate additional MKD 9, 600,000 in the Budget of the Republic of Macedonia intended for maintenance of the system for issuance of travel and other documents to foreigners.

3.24.2 ASYLUM

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Asylum and Temporary Protection regulates the conditions and procedure for granting and cessation of the right to asylum of a foreigner or stateless person seeking recognition of his/her right to asylum in the Republic of Macedonia as well as the rights and obligations of the asylum seekers and the persons who have been recognised the right to asylum in the Republic of

Macedonia. The Law has been harmonised with a number of EU measures¹¹, and with a set of international instruments ratified by the Republic of Macedonia¹². The amendments to the Law on Asylum and Temporary Protection enable partial harmonisation with Council Directive 2004/83/EC of 29 April 2004¹³ on minimum standards for the qualification and status of third country nationals or stateless persons as refugees or as persons who otherwise need international protection and the content of the protection granted, whereupon a new category of persons is introduced with recognised right to asylum by the Republic of Macedonia, i.e. category of persons under subsidiary protection. Namely, subsidiary protection according to that Directive is additional protection and complements that of recognised refugees, which is laid down in the Convention on the Refugee Status.

The Law Amending the Law on Social Protection (Official Gazette of the Republic of Macedonia No 40/07) has been adopted, in which the right to social protection of an asylum seeker, a person with recognised refugee status and a person under humanitarian protection is explicitly determined.

Article 12 of the Law on Employment and Work of Foreigners (Official Gazette of the Republic of Macedonia No 70/07) lays down issuance of a personal work permit with a one-year validity period to a foreigner asylum seeker, whose application for recognition of the right to asylum has not come to a decision within a period of one year, following the expiry of the one-year period (the work permit is issued quarterly with possible extension); to a foreigner with recognised refugee status, foreigner under humanitarian protection and to a foreigner under temporary protection. The personal work permit, according to the provisions laid down in the Law on Employment and Work of Foreigners, is renewable or permanent form of work permit, which in the course of validity facilitates to a foreigner free access to the labour market.

These amendments to the Law on Social Protection and the Law on Employment and Work of foreigners incorporate the recommendations contained in Council Directive 2003/9/EC.

The Manual on the Procedures for Implementation of the Law on Asylum and Temporary Protection has been drafted by the Department for Asylum within the Ministry of Interior, and distributed to the police stations of general competence, border police and nongovernmental sector. The following normative documents have been drafted by the Interministerial Body for strengthening of the integration system of refugees and foreigners: Plan Acting in Case of Mass Influx of Refugees, Working Plan for 2007 and Rules of Procedures, on which basis the work and statute of the Interministerial Body strengthening of the integration system of refugees and foreigners in the Republic of Macedonia have been defined.

STRATEGIC DOCUMENTS

- National Action Plan of the Republic of Macedonia for migration and asylum

INSTITUTIONAL FRAMEWORK

Reception Centre for asylum seekers has been constructed (funded by the CARDS Programme 2002). Funds for its equipping have been approved by the EAR, and the tendering procedure for equipment procurement is ongoing. The Reception Centre will be managed by the Ministry of Labour and Social Policy.

Software solution '*Database of asylum seekers and refugees with recognised status*' has been drafted, installed and put into operation in the Department for Asylum within the Ministry of Interior. The software was funded by the Government of the Republic of Macedonia. For the purpose of strengthening the administrative capacities in the Department for Asylum within the Ministry of Interior, training to the staff for application of norms defined in '*The Manual on the Procedures for Implementation of the Law on Asylum and Temporary Protection*' has been realised.

The Republic of Macedonia is a member of the GDISC (General Director's Immigration Services Conference), where General Directors of the asylum and migration services meet, and whose aim is to promote operative cooperation among the services competent for implementation of the asylum and migration policies through exchange of experiences and good practices and through creation expert networks.

SHORT-TERM PRIORITIES

¹¹ 32003L0086 (Council Directive 2003/86/EC of 22 September 2003 on the right to family reunification); 32003L0009 (Council Directive 2003/9/EC of 27 January 2003 laying down minimum standards for the reception of asylum seekers); 32001L0055 (Council Directive 2001/55/EC of 20 July 2001 on minimum standards for giving temporary protection in the event of a mass influx of displaced persons and on measures promoting a balance of efforts between Member States in receiving such persons and bearing the consequences thereof); 31995Y1007 (Council Resolution of 25 September 1995 on burden - sharing with regard to the admission and residence of displaced persons on a temporary basis) и 1996Y0919 (05)(Council Resolution of 20 June 1995 on minimum guarantees for asylum procedures).

¹² Convention on the Refugee Status of 1951 and its Protocol of 1967; United Nations Convention Against Torture and Other Forms of Cruel Inhuman and Humiliating Treatment or Punishment; International Agreement on Civil and Political Rights; International Agreement on Economic, Social and Cultural Rights; United Nations Convention on the Elimination of the Discrimination Against Women; United Nations Convention on the Rights of the Children and the two Optional Protocols thereto; 1949 Geneva Convention including the Protocols I and II; European Convention on Human Rights and Fundamental Freedoms and the Protocols thereto under numbers 1, 4, 6, 7, 11, 12, 13 and 14; European Convention on the Prevention from Torture and Inhuman or Humiliating Treatment or Punishment; European Social Charter, 1961 and the 1991 Protocol amending and consolidating the European Social Charter; the Republic of Macedonia has also signed the Optional Protocol to the United Nations Convention on the Elimination of the Discrimination Against Women; European Convention on Citizenship, 1997.

¹³ (Council Directive 2004/83/EC of 29 April 2004 on minimum standards for the qualification and status of third country nationals or stateless persons as refugees or as persons who otherwise need international protection and the content of the protection granted)

LEGAL FRAMEWORK

For the purpose of providing administrative and operational conditions for implementation of the subsidiary protection envisaged in the amendments to the Law on Asylum and Temporary Protection, the Law will commence to be applied as of 1 July 2008.

By the end of 2008, amending to the Law on Asylum and Temporary Protection has been envisaged; thus enabling the party to initiate a second-instance administrative dispute before administrative court. In this manner independence of the appealing procedure will be ensured. In addition, the amendments to the Law will enable harmonisation with the Law on Employment and Work of Foreigners, and thus with Directive 2003/9/EC laying down minimum standards for reception of asylum seekers, creating formal-legal adherence to the text of the Law through deleting the institute (persons under humanitarian protection).

In order to strengthen the process of introducing legal instruments to ensure the rights to the persons in need of subsidiary protection in 2008, the adoption of the Law on Social Protection and Social Security, the Law on Secondary Education and the Law on Health Protection has been envisaged.

In February 2008, the Rulebook on the application form for recognition of the right to asylum and the manner of fingerprinting and photographing asylum seekers, the form and the procedure for issuance and replacement of the documents of the asylum seekers and persons with recognised right of asylum or temporary protection in the Republic of Macedonia and on the manner of keeping records will be amended, aimed at creating normative conditions for application of subsidiary protection provided for in the Law Amending the Law on Asylum and Temporary Protection. Concurrently, the said Rulebook will ensure harmonisation with Directive 2004/83/EC.

By the end of October 2008, within the AENEAS Project, and in cooperation with a representative of the Danish Immigration Service, Police Guidelines on the Manner of Action in Case of Asylum Seeker and revision of the text of the Manual on the procedures for implementation of the Law on Asylum and Temporary Protection titled 'Step by Step Procedures for Recognition of the Right to Asylum' will be drafted, enabling harmonisation of the asylum procedures with the European standards for appropriate application of the Law.

As of January 2008, issuance of the documents for asylum seekers, recognised refugees and persons under humanitarian protection has been planned, as provided for in the Law on Asylum and Temporary Protection.

Issuance of the personal documents of persons under subsidiary protection will commence by the middle of 2008, for which funds amounting to MKD 150,000 are required, and foreseen to be provided by the UNHCR.

INSTITUTIONAL FRAMEWORK

According to the reform process in the Ministry of Interior, and aimed at positioning of the Department for Asylum on strategic level within the Ministry, transformation in the organisation and systematisation has been envisaged in the Department for Asylum. Accordingly, the Department for Asylum will be transformed in organisational forms performing activities on strategic level for the needs of the Ministry. The new setting envisages increase of the number of executors and division of their competences in accordance with the new EU asylum policies.

In the course of 2008, new employments for the Department for Asylum are needed: Autonomous Inspector for international cooperation; Chief Inspector for international cooperation, return, EURODAC and Dublin II and a Chief Inspector for conducting procedures for vulnerable category of persons and issuance of personal documents.

For the purpose of strengthening the administrative capacities of the Department for Asylum and accomplishing its operation, in the said period technical equipping of the Department is required by procurement of 4 new computers with printers, audio recording equipment for interviews with asylum seekers, digital photo equipment, projection equipment for presentations, video and DVD material, 4 metal cabinets, fax machine, 2 two-sided desks with 2 rotating chairs, for which funds amounting to MKD 112,000 will be necessary. The mentioned funds have been foreseen in the Budget of the Ministry of Interior for 2008.

One new employment has been envisaged in the Unit for Asylum within the Ministry of Labour and Social Policy, for which budgetary funds have been provided.

The Reception Centre for asylum seekers will be staffed with new employees by August 2008, for which funds have been provided from the Budget of the Republic of Macedonia.

The Ministry of Labour and social Policy, on the basis of Memoranda for Cooperation with the nongovernmental sector, will provide educators for training of the persons to work in the Reception Centre. The training is envisaged for March 2008. Moreover, in this part activities for planning and organising training have commenced in cooperation with Holland and Denmark.

STRATEGIC DOCUMENTS

In the direction of strengthening the system for integration of refugees and foreigners in 2008, strategic document has been envisaged to be drafted by the Interministerial Body as an outline of the integration process of the mentioned category of persons.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

During 2009, the Law on Asylum and Temporary Protection will be harmonised with Council Directive on minimum standards on procedures of the Member States for granting and withdrawing refugee status, adopted on 1 December 2005 (Directive on asylum procedures).

INSTITUTIONAL FRAMEWORK

In the direction of further establishing and staffing of the institutions in charge of implementation of the asylum and migration policies, systematisation of new work posts has been envisaged for strengthening the procedural guarantees in the procedure for recognition of the right to asylum. For that purpose, the existing work post of a Chief Inspector in the Department for Asylum within the Ministry of Interior is planned to be renamed in Chief Inspector for conducting procedures upon application submitted for recognition of the right to asylum as well as to introduce work post Chief Inspector for information on countries of origin in addition to the existing systematisation work post Autonomous Inspector for information on countries of origin. The existing systematisation work posts Senior Inspector, to be renamed and extend to executive officers named Autonomous Inspector for conducting procedures upon applications submitted for recognition of the right to asylum; and Autonomous Inspector for conducting procedures relating to vulnerable category of persons and issuance of personal documents.

Furthermore, for the purpose of promoting the international cooperation and implementation of the new EU measures, systematisation of new work posts will be carried out to strengthen the Department for Asylum within the Ministry of Interior with Chief Inspector and Autonomous Inspector for international cooperation, return, EURODAC and Dublin II and interpreter of English language.

Of the envisaged staff solutions, one new employed interpreter is foreseen, whereas the persons envisaged for the other work posts will be reassigned.

The said activities are envisaged to be realised before September 2009.

It is necessary to strengthen the Unit for Asylum within the Ministry of Labour and Social Policy and the Reception Centre for asylum seekers.

By the end of 2009, strengthening of the data collection system in the area of asylum and migration has been envisaged, for which feasibility study will be prepared during 2008, and development of central database for foreigners covering asylum, migration and visas, will be realised up to the end of 2009.

3.24.3 VISA POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

CURRENT SITUATION

The Republic of Macedonia has ratified the Agreement on facilitation of the issuance of visas (Official Gazette of the Republic of Macedonia No 141/07). In accordance with the Plan for harmonisation with the EU visa regime, as of April 2007, visas were abolished for the nationals of Romania by the Government of the Republic of Macedonia. In November 2007 unilateral decision was adopted to abolish the visas for the nationals of Canada.

According to the new practice for issuance of visas to foreigners, as of 1 February 2008, the existing practice for issuance of visas to Albanian nationals on the border crossing points between the Republic of Macedonia and the Republic of Albania will be abolished, for which the Albanian party was informed in December 2007, when at the same time the Macedonian party proposed commencement of a procedure for concluding new, liberal Agreement between the Government of the Republic of Macedonia and the Council of Ministers of the Republic of Albania on mutual travel of the citizens, with some facilitations for certain categories of the nationals of Republic of Albania. At the same time, in December 2007, the UNMIK Liaison Office in Skopje was informed by exchange of notice on the abolishment of the existing practice for visa issuance for the family members of the members of UNMIK on the border crossing points between the Republic of Macedonia and Kosovo.

According to Article 147 of the Law on Foreigners, the Minister for foreign affairs in agreement with the Minister for interior adopted 'Rulebook on the manner of issuance of visas to foreigners, cancellation, revoking visas, extension and reduction of their validity, visa forms, the manner of keeping records'. A form of new visa stickers that contains embedded protected marks is a constituent part of the Rulebook, and it fulfils the European and ICAO standards. Rulebook on issuance and use of diplomatic and official passports and visas (Official Gazette of the Republic of Macedonia No 24/07) has been adopted, according to which the number of those passports greatly decreased during 2007.

INSTITUTIONAL FRAMEWORK

Establishing the Visa Centre in the Ministry of Foreign Affairs and the National Visa Information System are funded on the basis of the Strategy for Integrated Border Management of December 2003 and the National Visa Module that is common document of the Republic of Macedonia and the European Union of December 2005. On the basis of the Elaborate for establishing visa centre, and for the purpose of fulfilling the stipulated standards, until 31 July 2007, construction works for adaptation or reconstruction of the eighth floor in the Ministry of Foreign Affairs building, where the Visa Centre is located, were completed.

In line with the existing systematisation in the Visa Centre, 11 work posts (2 IT persons and 9 employees acquainted with consular i.e. visa matter) have been envisaged. In the direction of further staffing, in October 2007, the Visa Centre employed two IT experts in charge of the system maintenance and one Visa Advisor.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In the direction of the implementation of the Agreement on facilitation of the issuance of visas between the Republic of Macedonia and the European Union, Manual for Issuance of Visas was drafted to be used by the EU consular offices accredited in Skopje.

With the EC Delegation it is agreed to consider the implementation of the Agreement on the first meeting of the Joint Committee (in April 2008) in Skopje, and interim the European Commission to draft Road Map for the Republic of Macedonia for commencement of negotiations for full liberalisation of the visa regime. The European Commission accepted request of the Republic of Macedonia such initiative to commence upon the First Common Committee.

Commencement of the activities for harmonisation of the visa provisions with the European Union 'Black List' are expected to be completed with the realisation of the activities for full liberalisation of the visa regime with the European Union.

The Ministry of Foreign Affairs will take activities for drafting Rules of Procedure of the Visa Centre.

Macedonian party requested from the Republic of Bulgaria conclusion of Agreement on small border traffic movement of persons.

INSTITUTIONAL FRAMEWORK

By the end of February 2008, the first contingent of visa stickers will be delivered by the Swiss company in charge of production of the new Macedonian stickers. The new visa stickers are one of the presumptions for functioning of the new Visa Centre and H-VIS in the Ministry of Foreign Affairs, as one of the conditions for commencing the process of full liberalisation of the visa regime of the Republic of Macedonia with the European Union.

Following the approval of the preparatory Report by the European Agency for Reconstruction, concrete activities were commenced with regard to projection i.e. programming the software solution of the information system. In line with the prescribed intensity, finalisation of the software is envisaged by the end of August 2008.

By the end of February 2008, a pilot project of information connection of the Visa Centre with one diplomatic-consular office in the Republic of Macedonia abroad is expected (the Embassy in Ljubljana). By the end of September 2008, connection with a diplomatic-consular office will also commence with 8 most frequent border crossing points of the Republic of Macedonia. For this purpose, activities for creation of software application solution are ongoing.

During 2008, the Visa Centre will be additionally staffed. In the beginning of March 2008, training to the employees to be engaged in the Visa Centre and in the diplomatic-consular offices of the Republic of Macedonia abroad will be carried out.

The project will be realised in phases, one of which refers to training to the staff in the Ministry of Foreign Affairs, including representatives from the Ministry of Interior, for the reason that as exclusion, visas will be also issued on the border crossing points, which is planned to commence by the end of January 2009. They will be future trainers to visa agents in the diplomatic-consular offices of the Republic of Macedonia and to other subjects in the process of issuance of Macedonian visas to foreigners.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

According to the Declarations of the Agreement, measures and activities have been initiated for signing bilateral agreements for visa regime liberation with the Great Britain, Republic of Ireland, Norway and Island.

INSTITUTIONAL FRAMEWORK

Strengthening of the staff capacities of the Visa Centre and of the Sector for Consular Affairs.

FOREIGN ASSISTANCE

The Visa Centre is financed from the funds of the CARDS Programme 2006 amounting to EUR1.2 million provided through the European Agency for Reconstruction. Furthermore, donation has been provided for adaptation of the Visa Centre premises by the Government of Luxemburg amounting to EUR 250,000.

The project will be realised in phases, and the first phase was completed i.e. drafting preparatory Report on the technical support for establishing National System for Visa Issuance.

Swiss technical and financial assistance have been provided by the Swiss Embassy in Skopje that will enable printing of 120,000 visa stickers for the needs of the Visa Centre thus meeting the visa requirements to the end of 2008. To that end, by the end of February 2008, the first contingent of visa stickers will be delivered produced in accordance with the ICAO and EU standards by the Swiss company Orell Fussli.

3.24.4 EXTERNAL BORDERS AND THE SCHENGEN ZONE BORDERS

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on State Border Surveillance (Official Gazette of the Republic of Macedonia No. 71/2006 and 66/2007) started its application on 1 April 2007. The relevant Law is partially aligned with the Convention implementing the Schengen Agreement and the Schengen Borders Code (562/2006). At the same time, by-laws amending the relevant Law are adopted in 2007¹⁴. The Police Cooperation Convention for South-East Europe is signed, as well as ratified by the Assembly of the Republic of Macedonia. For the purpose of strengthening the regional cooperation, on 4 September 2007 the Temporary Agreement on the Standard Operative Procedures between MI of the Republic of Macedonia and KFOR- Kosovo was signed.

Within the framework of the adopted Strategic plan of MI for 2008-2010 Subprogram-Border Affairs and Migration aiming at adoption and planning of the best practices and common standards in the field of IBM pursuant to the Schengen Regulations, the Directives and the common Rulebook.

Implementing of the activities of NAP for IBM, the National Commission for Integrated Border Management adopted the Plan for protection and safety during the accident with hazardous substance on the border crossing point. "The Program for Suppression and Elimination of the especially pandemic animal illnesses" is adopted (Official Gazette of the Republic of Macedonia No. 82/2007). Several programs are realised according to the obligation for adoption of plans for acting in emergency situations and determination of the procedures and control of animal and plant products through their cross border transport.¹⁵ Action Plan in case of radiation in the border area is made pursuant to the obligation for adoption of plans for acting in emergency situations and determination of the procedures for control of radioactive materials. The National Commission for Integrated Border Management has adopted the Plan for Protection and Safety during accident with hazardous material on the border crossing point.

INSTITUTIONAL FRAMEWORK

Pursuant to the adopted Syllabus for advanced and special training for the Border Police in 2007, training was carried out covering: first level (personnel reassigned from commanders of the police station and higher), second level (personnel reassigned to team leader, head of shift and deputy-commander of the police station) third level (personnel reassigned to police officer). The Teaching program for advanced and special training for the Border Police for 2008 has been drafted. Within the Twinning Project for Development of the Police Educational System the training program has been realised and the basic training for a police officer has started including the training for border work.

¹⁴ Rulebook on the manner of implementation of the state border security and control of crossing of the state border; (Official Gazette of the Republic of Macedonia No. 3/2007), Rulebook on the manner of issuance the badge for employees performing economic activity on the border area, as well as the form and the content of the request for the issuance of badge and its form; (Official Gazette of the Republic of Macedonia No.3/2007); Rulebook on the manner of determining and resolving border incidents (Official Gazette of the Republic of Macedonia 6/2007); Rulebook on the form, content and the manner of setting of the border boards, signs and other signalisation (Official Gazette of the Republic of Macedonia No. 21/2007); Rulebook on the manner of adjusting and use of technical devices and photographing, recording and video-surveillance of the border crossing points and the border line; (Official Gazette of the Republic of Macedonia No.40/2007); Decree on the standard and norms for planning, construction and management of the facilities used by the Ministry of Interior on the border crossing points; (Official Gazette of the Republic of Macedonia No. 112/2007)

• ¹⁵ "The Program for Suppression and Elimination of the Avian Influenza (Official Gazette of the Republic of Macedonia No. 82/2007*);

• "The Program for Suppression and Elimination of the Bluetongue (Official Gazette of the Republic of Macedonia No. 104/2007*);

• "The Program for Suppression and Elimination of the Tuberculosis (Official Gazette of the Republic of Macedonia No.22/2007)

• "The Program for Suppression and Elimination of the Brucellosis (Official Gazette of the Republic of Macedonia No. 22/2007*);

• The Program for Suppression and Elimination of the Transmissible Spongiform Encephalopathies(TSE) (Official Gazette of the Republic of Macedonia No. 22/2007*);

• The program for undertaking emergency measures for elimination of slime and murrain has been done.

• Rulebook on the mode and procedure on import and transit of animals, products and by-products, the mode for controlling of the import and transit of animals, products and by-products, the form and the content of the information for the time for the expected deliverance of animals, products and by-products on the border crossing and the form and the content of the decision of the made control.

For the purpose of implementation of IT networking on the border crossing points with central database, the new central system for control of the passengers and vehicles which is commonly connected and for which there is so called central user who incorporates data in the stop-lists and who owns an advance system for searching has been established. This system is completely implemented on 5 border crossing points (The Skopje Airport, Ohrid Airport, Tabanovce-road border crossing point, Dolno Blace and Bogorodica). The border crossing points are connected by telecommunication system with the central data base of MI thus providing transfer of data from the border crossing points to the Central Database and reversely. For the purpose of upgrading the technical equipment on the border crossing points for documentation analysis, at the beginning of December 2007 OSCE granted a donation of three VISPEK 2 devices for counterfeit documents and the same devices are installed on the three most frequent border crossing points: Tabanovce, Skopje Airport and Bogorodica.

The National Coordinative Centre for Border Management has been established pursuant to the Decision of the Government of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 35/2007). The coordinator of the Centre was appointed on 6 November 2007.

For the purpose of strengthening the cooperation between the institutions involved in IBM, several Memorandums of Cooperation have been signed¹⁶.

The Concept for implementation of the Single Window for import and export and the control of the one-stop-shop, and the Elaborate for implementation of Single Window for import and export and the control of one-stop-shop as well as the Guidelines on the Elaborate implementation are adopted.

On 6 February 2007 the Government of the Republic of Macedonia has adopted the Study for Information System for Integrated Border Management.

The procedure for evaluation is finished and the most favourable bidder for supplying the digital radio system TETRA is selected. Pursuant to the activities foreseen in NAP for IBM, in 2007, the Radiation Safety Directorate was strengthened by 5 new employments. For the purpose of implementation of the Plan for reassignment of veterinary and phytosanitary inspectors at all categories of border crossing points, the Veterinary Directorate was strengthened with 20 veterinary inspectors and the Phytosanitary Directorate with new employments of 10 phytosanitary inspectors.

The activities regarding the construction, reconstruction and maintaining of the border crossing points have been continuously undertaken by PE-MHBP according to the Cross-border Program for 2007 and the Action Plan for Implementation of the Program for Construction and Maintenance of the border crossing points for 2007. At the same time, the PE-MHBP has adopted the Cross-border Program for 2008.

New personal documents

On 2 April 2007 the Ministry of Interior has started the Project "New personal documents" by issuance new passports with biometrical data of the citizens of the Republic of Macedonia. The referred Project covers issuing 8 types of identification documents for the citizens of the Republic of Macedonia and for foreigners. The issuance of the following personal documents with highly protected marks has started in 2007 for the citizens of the Republic of Macedonia¹⁷:

- Travel documents (including the official and diplomatic passports)
- Identification Card
- Driving Licence.

The implementation of the provisions of the Law on Foreigners (Official Gazette No. 35/2006 and 66/2007) starting its application on 1 January 2008 imposed the need for including the issuance of personal documents for foreigners within the Project New Personal Documents: passports for foreigners (passport and travelling ticket), licence for permanent stay and licence for temporary

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- ¹⁶ Memorandum for Understanding between the Ministry of Health, the Ministry of Finance-Customs Administration, MI and the Radiation Safety Directorate- signed in June 2007;
 - Memorandum Amending the Memorandum for Understanding between the Ministry of Health, the Ministry of Finance-Customs Administration, MI and the Radiation Safety Directorate- signed in December 2007;
 - Memorandum Amending the Memorandum of Understanding between MH-State Sanitary and Health Inspectorate and MI-Border Police signed 8 January 2008.
 - Memorandum Amending the Memorandum of Understanding between the Ministry of Health (State Sanitary and Health Inspectorate) and MI (Border Police) - signed in December 2007.
 - Memorandum of Understanding between Customs Administration and the Ministry of Environment and Physical Planning-signed in June 2007.

¹⁷ Law Amending the Law on Passports for the citizens of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No.19/2007) which provides the continuation of the validity of passports issued before this Law enters into force till the expiring date referred in the passport, but maximum five years from the day of the entrance into force of this Law.

Law Amending the Law on Identification Card (Official Gazette of the Republic of Macedonia No. 19/2007) which provides the continuation of the validity of identification cards issued before this Law enters into force till the expiring date referred in the identification card, but maximum three years from the day of the entrance into force of this Law.

Law Amending the Law on Road Traffic Safety (Official Gazette of the Republic of Macedonia No. 19/2007) which provides the continuation of the validity of driving licences issued before this Law enters into force till the expiring date referred in the driving license, but maximum five years from the day of the entrance into force of the provisions which regulate the forms of the driving licenses.

stay. Before issuance any of the referred documents the training of the employees was carried out for getting data from citizens and the training is continuously carried out and the competent body is the Sector for Administrative and Supervisory Matters and the regional units of MI. In the period February-March 2007 the staff training in the Centre for Personalisation of Documents functioning within the Information Technology Sector was realised.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

For the purpose of harmonisation of the national legislation of EU, the activities that will be undertaken in 2008 are:

- Adoption of the Law Amending the Law on State Border Surveillance. The referred amendments and developments will make certain changes regarding the evidence in relation to the terms for safety of data regarding certain categories of persons thus harmonising it with the Schengen border code.
- Adoption and application of the Rulebook on Standard Operational Procedures and proceedings of border control and safety of the state border thus maintaining the harmonisation with the Standards of the Commission Recommendation of 06/XI/2006 establishing a common "Practical Handbook for Border Guards (Schengen Handbook) to be used by Member States" competent authorities when carrying out the border control of persons.

For the purpose of strengthening the regional cross-border cooperation, implementation agreements with Serbia and Albania will be concluded in order to enable implementation of the Vienna Police Cooperation Convention for South-East Europe in 2008.

Till July 2008 the National Coordinative Centre for Border Management will adopt rules on procedures for management of the border monitoring, coordination of all border activities, providing the relevant risk evaluation, coordination of the activities from the first phase of the international cooperation and border monitoring.

The Rulebook on action of state bodies and institutions competent for the activities on the border crossing points should be adopted by the National Commission for Border Management in January 2008.

In 2008, as the Law on Veterinary enters into force, the Rulebook on Permanent Guidelines which are to be undertaken within the veterinary border control, as well as the Program for undertaking urgent measures for elimination of foot-and-mouth disease will be adopted.

Till March 2008, the Ministry of Interior will adopt amendments on the Elaborate on the needs of objects and material and technical means and technical equipment for the needs of the Sector for Border Affairs and Migration in which, for the purpose of promoting a system for documents analysis,, will also cover the equipment for analyzing and detection of counterfeited documents.

Towards developping cooperation with the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union - FRONTEX, in order to benefit from their best practices for basic training of the Border Police, taking risk analysis and in other areas within the framework of the Border Police, in 2008 an initiative for a procedure of concluding and Agreement with FRONTEX, a possibility given by the European Council Regulative (EC) 2007/2004) will be submitted.

INSTITUTIONAL FRAMEWORK

–In order to strengthen the inter-institutional cooperation of the bodies competent in IBM, the activities which are to be carried out in 2008 are:

- adoption of the Memorandum for Cooperation between the Customs Administration-Ministry of Finance and MAFWE,
- adoption of the Memorandum Amending the Memorandum of Understanding between the State Market Inspectorate- Ministry of Health and MI_Border Police,
- introducing the web portal of the IBM (it is expected to be introduced by the end of April, 2008).

For the purpose of establishing information and technological structure of the Border Police, in 2008 NCCBM will adopt a Memorandum for Cooperation in Use of IT system for IBM and a new tender procedure for drafting a feasibility study for IBM will be carried out. Pursuant to the Concept of realisation of the Project for Establishing IT system for Integrated Border Management adopted by the Government of the Republic of Macedonia on the session held on 2 October 2007, the pilot-program for establishing of the system should be finished on 30 June 2008, and the system should be made operational till the end of 2008.

In accordance to NAP for IBM, further staffing will be carried out, with persons performing the work and tasks in the National Coordinative Centre for Border Management (with reassignment of persons from MI) and appointing liaison officers in NCCBM for Border Management from other competent institutions (Customs Administration, MAFWE, MD, MFA, MH, MTC, MEPP, Radiation Safety Directorate). The activities for material and technical equipment of the National Coordinative Centre for Border Management will be realised by financial support of the European Agency for Reconstruction (EAP).

A draft Memorandum for Cooperation in Use of IT System for IBM is made by NC for IBM. The harmonisation with the institutions competent in IBM is in its course of realisation. The adoption by the Commission is expected till the end of February.

The complete establishing of IT network of the border crossing points and network with the central database is planned for 2008. Pursuant to the annual program of PE-MHBP for the border crossing points for 2008 the activities for construction, reconstruction and maintenance of border crossing points with their own funds from shares of PE-MHBP and with the loan by the World Bank will continue.

Within the planned cooperation with FRONTEX, an analysis and harmonisation of the plans and training programs of the Border Police regarding the EU standard in this field will be carried out. Further training will be carried out according to the revised and harmonised syllabi.

As a donation of OSCE an installation of three more VISPEK 2 devices for detection of counterfeit documents is planned for the beginning of 2008. At the same time, training for use of the devices for detection of counterfeit documents will be carried out.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Adoption of a bylaw on the Law on State Border Surveillance regarding the manner of crossing the external border will be done after the entering of the Republic of Macedonia in European Union.

Establishing Schengen Action Plan regarding the activities for accession to the Schengen legislation (42000A0922 (01), 31999D0435, 31999D0436, 32001R2424, 32001D0886, 32004R0871, 32005D021 and 32005R1160).

INSTITUTIONAL FRAMEWORK

Full operation of the digital radio system TETRA is expected thus ensuring the completion of the informational and technological structure of IBM.

Technical equipment of the border crossing points as well as the police stations according to the Elaborate on the needs of objects and material and technical means and technical equipment for the needs of the Sector for Border Affairs and Migration.

Further continuation of the activities regarding construction and maintenance of the border crossing points and maintenance of the police stations in the field of border affairs.

FOREIGN ASSISTANCE

- The Twinning Project Development of the Police Educational System (04 IB JLS 01) covers a curriculum for basic training of the police officer which provides training in the field of border working. The Project is being carried from November 2006 till March 2008. This training is planned for 90 candidates for police officer. The total value of the referred Project is DEN 59, 928 360.00 (EUR 998,906.00).
- Donation of OSCE of three VISPEK 2 devices for detection of counterfeit documents for the needs of the border crossing points. A donation of three more devices of the same type is expected at the beginning of 2008. The total value of the donation is DEN 1, 668 840. 00 (EUR 27, 814. 00).
- A loan by the World Bank was given to PE-MHBP for the Border crossing point Dolno Blace. The total value of the loan is DEN 120,000,000.00.
- The Project CARDS 2004 "Development of the operational capacities of the Border Police" covering the period 1 May 2007 - 31 December 2008 with the total value of EUR 1,429 500.00)
- Planned projects:
 - Reconstruction of the Police Station for security of the State border with Serbia, Kosovo and Albania covering the period 15 October 2008 - 1 September 2010 with the total value of EUR 1,600 000. 00 from which EUR 1,200 000.00 foreign assistance and EUR 400,000 co-financing.
 - Development of digital radio-communication system TETRA starting from 15 October 2008 till 30 April 2011 with the total value of EUR 9,330 000. 00 from which EUR 7,000,000.00 foreign assistance and EUR 2,330,000.00 co-financing.

3.24.5 JUDICIAL COOPERATION IN CIVIL AND CRIMINAL MATTERS

The procedure for providing legal assistance in the Republic of Macedonia is regulated by the national legislation, unless otherwise prescribed by international agreements. The Law on Criminal Procedure regulates the judicial cooperation in criminal matters (Official Gazette of the Republic of Macedonia No. 15/97, 18/99, 44/02, 74/04, 15/05). Chapters 30 and 31 regulate the international legal assistance in criminal matters and it is carried out pursuant to the provisions of this Law, unless otherwise prescribed by international agreements ratified in accordance with the Constitution of the Republic of Macedonia. The Law is

completely harmonised with the Conventions ratified by the Republic of Macedonia¹⁸ and partially harmonised with several EU measures¹⁹. The Republic of Macedonia concluded several bilateral agreements in the field of criminal and civil matters (with the Republic of Croatia, Republic of Slovenia, Republic of Albania, Republic of Bulgaria, Republic of Turkey, Ukraine, Romania, Serbia and Montenegro, Bosnia and Herzegovina and Interim Protocol for transfer of Sentenced Persons between the Interim Administration of UN in Kosovo UNMIK and the Ministry of Justice of the Republic of Macedonia).

The Law on Litigation Procedure regulates the judicial cooperation in civil matters (Official Gazette of the Republic of Macedonia No. 79/05). In the field of international legal assistance not covered by the Law on Litigation Procedure, the Ministry of Justice applies The Hague Convention on Civil Procedures from 1 March 1954 and the Bilateral Agreements of the Republic of Macedonia with other countries. The Law is completely harmonised with the Conventions ratified by the Republic of Macedonia²⁰ and partially harmonised with few submitted EU measures²¹. The Law on International Private Law was adopted in July 2007 (Official Gazette of the Republic of Macedonia No. 87/07) regulating two areas as integral parts of the International Private Law. First, conflicts of laws-whose rules determine competent law which regulates the civil and legal relations with foreign elements and second, the international civil procedure whose norms regulate the rules for action in situations concerning civil-legal relations with foreign entities in procedures in front of courts and other state authorities. The Law is fully harmonised with the 80/934/EEC Convention on the law applicable to contractual obligations opened for signature in Rome on 19 June 1980²², and is partially harmonised with the EU measures²³. The adoption of bylaws is not foreseen in this Law.

INSTITUTIONAL FRAMEWORK

The Sector for International Legal Assistance within the Ministry of Justice is responsible for acting upon cases regarding the overall legal assistance in the criminal and civil matters. The new systematisation from June 2007 in the Sector for International Legal Assistance within the Ministry of Justice provides two units, Unit for Extradition and Transfer and Unit for Proceeding Appeals on Civil and Criminal and Civil Matters. 15 work posts are provided, 9 of which have already been completed.

STRATEGIC DOCUMENTS

Strategy on the Reform in Criminal Law 2007. The adopted Strategy covers two parts: Reform of the Law on Criminal Procedure and Reform of the Law on Criminal Matters.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Harmonisation of the legal framework in the field of judicial cooperation in civil and criminal matters.

- Ratification of the Convention from 29 May 1993 on Protection of Children and Co-operation in respect of Intercountry Adoption
- Ratification of the Hague Convention from 18 March 1970 on Taking of Evidence Abroad in Civil, or Commercial Matters
- Ratification of the Hague Convention from 19 October 1996 on Jurisdiction, Applicable law, Recognition, Enforcement and Cooperation in respect of Parental Responsibility and Measures for the Protection of Children Ratification of the Convention from 15 November 1965 on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters
- An Analysis of the European Convention from Strasbourg 15 May 2003 for Contact with Children (CETS 192) is foreseen, as well as the needs for its harmonisation with the national legislation.

The adoption of the Law on International Legal Assistance in criminal matters is foreseen providing for more effective implementation of the European Convention on Legal Assistance in Criminal Matters including two additional Protocols, European Convention for Extradition including two additional Protocols, European Convention on Transfer of Sentenced Persons including

¹⁸ European Convention for Protection of Human Rights and Fundamental Freedoms (Rome, November 4, 1950 and its Protocols, 92000JHA10003 United Nations Convention against Transnational Organised Crime (Palermo Convention), 91999JHA10302 Criminal Law Convention on Corruption (CETS 173), 920001JHA10001 Council of Europe Convention on Cyber Crime (CETS 185), 91999JHA10096 Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (CETS 141), 91999JHA10173 Convention on the Transfer of Sentenced Persons (CETS 112), Additional Protocol to the Convention on the Transfer of Sentenced Persons (CETS 167), 91999JHA10161 European Convention on Mutual Assistance in Criminal Matters (CETS 030), 91999JHA10172 Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters (CETS 099), 92001JHA10002 Second Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters (Strasbourg, November 8, 2001), 91999JHA10160 European Convention on Extradition (CETS 024), 91999JHA10170 Additional Protocol to the European Convention on Extradition (CETS 086), 91999JHA10171 Second Additional Protocol to the European Convention on Extradition (CETS 098), 91999JHA10169 European Convention on the Transfer of Proceedings in Criminal Matters (CETS 073), 91999JHA10171 Second Additional Protocol to the European Convention on Extradition (CETS 098)

¹⁹ 41995A0330(01), 41996Y1023(02), 41996Y1104(01), 41996Y1212(03), 91999JHA10085, 91999JHA10087, 91999JHA10174, 91999JHA10175, 92001JHA10002

²⁰ European Convention of Protection of Human Rights and Freedom (Rome, 4 November 1950 and the Protocols), 91999JNA 10 146 Hague Convention of Civil Procedure from 1 March 1954, 1999JNA 10 151 Convention of the Civil Aspects of International Child abduction from 25 October 1980, 91999JNA 10 150 Hague Convention of International Access to the Justice from 25 October 1980, Hague Convention abolishing the Requirement of Legalisation for Foreign Public Documents.

²¹ 32000R1348, 32001D0470, 32001R0044, 32001R1206, 32001S0115(01), 32002R0743, 41980A0934, 41988A0592, 41998S0126(03), 91999JHA10147, 91999JHA10148

²² 41980A0934- Convention 80/934/EEC on the law applicable to the regulations opened for signature in Rome on 19 June 1980) (Official Gazette: L 266 09 October 1980 p. 0001-0019) 80/934/EEC;

²³ 32001R0044- Regulation No.44/2001 of the Council (EC) from 22 December 2000 for jurisdiction, accepting and implementation of the court decisions for civil and commercial matters; Brussels II Regulation No.1347/2000 of the Council (EC) from 29 May 2000 for jurisdiction and accepting and implementation of the court decisions on the marriage annulment and parental responsibility

the additional Protocol and the European Convention for Transfer of Criminal Procedures. Working group for preparation of the Law is formed within the Ministry of Justice.

Development of the legal framework for bilateral cooperation

- Initiative for signing of Memorandum for Legal and Judicial Cooperation between the Ministry of Justice of the Republic of Macedonia and the Ministry of Judiciary of Bosnia and Herzegovina.
- Initiative for signing of Memorandum for Legal and Judicial Cooperation between the Ministry of Justice of the Republic of Macedonia and the Ministry of Judiciary of the Republic of Slovenia.
- Initiative for signing of Memorandum for Legal and Judicial Cooperation between the Ministry of Justice of the Republic of Macedonia and the Ministry of Justice of the Republic of Montenegro.
- Initiative for mutual Declaration between the Ministry of Justice of the Republic of Macedonia and the Federal Service of Justice of Switzerland for Intensifying of the Cooperation in the way of development of the criminal and legal cooperation between the two countries.
- With Note No. 1040/07 from 3 August 2007 through the Embassy of the Republic of Italy in Skopje, the Ministry of Justice of the Republic of Macedonia has submitted an initiative for Bilateral Agreement for Judicial Cooperation between the Republic of Macedonia and the Republic of Italy which completely changes the previously submitted text for legal assistance in criminal matters between the Ministry of Justice of the Republic of Macedonia and the Ministry of Justice of the Republic of Italy.

A preliminary session was held in Hague in July 2007 between the representatives of the Collegium of EUROJUST and the representatives of the Ministry of Justice for signing the Cooperation Agreement between the Republic of Macedonia and EUROJUST.

In spite of adopting of the Law on Public Prosecutor's Office, the conditions for starting negotiations and signing of the Cooperation Agreement between the Republic of Macedonia and EUROJUST are:

- Ratification of the Additional Protocol of the Convention for Protection of individuals in the field of automatic issuance of personal documents regarding the competent bodies and border crossing data transfer from November 1981- the instrument for signing was sent.
- Amendments on the Law on Personal Data Protection
- Adoption of the Law on International Legal Assistance in Criminal Matters,

Signing of the Cooperation Agreement between the Republic of Macedonia and EUROJUST is planned for realisation by December 2008.

INSTITUTIONAL FRAMEWORK

New employments in the Sector (Unit for Proceeding requests on Civil and Criminal and Civil Matters and in Unit Extradition and Transfer) are foreseen (for more details see Chapter 23).

For the purpose of further training of the employees in the Department for International Legal Assistance and the judges who apply the Law on International Private Law in the field of civil matters, a workshop concerning the acceptance and implementation of foreign judicial decisions is planned for October 2008, as well as a workshop concerning the international legal assistance for December 2008 has been foreseen. The representatives of the Ministry of Labour and Social Policy, Bar Association, executing officers etc are planned to attend this workshops.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Development of the legal framework

- Initiating procedures for conclusion of bilateral agreements for cooperation in the field of judiciary with countries which do not have concluded such agreements with the Republic of Macedonia, June 2009.
- Ratification of the Convention from 15 November 1965 on the services abroad of judicial and extrajudicial documents in civil and commercial matters, November 2009.
- Analysis of the Decision 2005/876/JNA of the Council from 21 November 2005 on the exchange of information from the criminal files.

INSTITUTIONAL FRAMEWORK

The Sector for International Legal Assistance is planned to be strengthened with new employments in 2009 (for more details on employment, see Chapter 23).

The Ministry of Justice, Courts and the Public Prosecutor's Office need organisation of workshops and seminars for implementation of the conventions for criminal and civil matters, particularly for implementation of the Convention from 10 March 1995 on simplified extradition procedure between the Member States of the European Union, implementation of the European Arrest Warrant and the European Judicial Network).

3.24.6 POLICE COOPERATION AND FIGHT AGAINST ORGANISED CRIME

CURRENT SITUATION

LEGAL FRAMEWORK

CURRENT SITUATION

Police cooperation and fight against organised crime

The implementation of the Law on Police²⁴ started on 11 November 2007. Pursuant to the Action Plan, from the 64²⁵ foreseen bylaws provided for practical realisation of the Law on Police, 57 are adopted. Within the process of reforms regarding the ways of the Police development in order of its organisational restructuring the Rulebook Amending the Rulebook on systematisation of the work post in the Ministry of Interior²⁶ and the Rulebook Amending the Rulebook on organisation and work of the Ministry of Interior²⁷ are adopted. The Ministry of Interior has adopted the bylaws whose adoption is a part of the process of harmonisation of the legislation with the standards and principles of the European Union²⁸, as well as the Rulebook on Determination of special regime for protection of data collected with authorised interception of communications and the registries in regard²⁹. Within the framework of realisation of the Police³⁰ Reforms in the field of protection of witnesses the adopted bylaws are: Guideline on the manner of keeping the secrecy of original documents for the identity of the protected persons³¹; Guideline on the manner of keeping records of the data of the protected persons³² and Rulebook on the form and the content of the Questionnaire, filled by the person with whom, the agreement is concluded³³. The Strategic Plan of the Ministry of Interior is adopted for the period 2008-2010.³⁴

For the purpose of regulation of the methods, means, competences and obligations of the police officers in the criminal and intelligence process, the Rulebook on Recruitment, Use and Management of the informants (September 2007) is made and the Rulebook on risk analysis and criminal and trial analysis as well as criminal and intelligence analysis within the Department for Organised Crime in central police services in the Public Security Bureau (30 July 2007).

On 16 January 2007 the Republic of Macedonia and the Headquarter of the European Police – EUROPOL signed the Strategic Cooperation Agreement. The Draft-Action Plan for Implementation of the Strategic Agreement concluded between EUROPOL and the Republic of Macedonia is done as well as starting negotiations for operative agreement which will be submitted to the Government of Republic of Macedonia for approval.

The definition of the term victim in human trafficking pursuant to the Convention for Human Traffic of the Council of Europe was done as a clarification of the definition from the Palermo's Protocol.

Protocol for Extension of the Cooperation in the field of human trafficking was signed in 2007 between the Ministry of the Republic of Macedonia and the National Commission and the Ministry of the Republic of Macedonia. Memorandum for Mutual Cooperation with NGO "Happy Childhood" and "Open Gate" was concluded between the Ministry of Interior and NGO in the field of mutual cooperation regarding human trafficking, assistance to the victims of trafficking and their identification.

The new Law on Public Prosecutor's Office providing for the establishment of the Basic Public Prosecutor's Office competent for prosecution of the perpetrators in the area of organised crime and corruption is adopted. The competent body for the Basic Public Prosecutor's Office is the basic public prosecutor for prosecution in the area of organised crime and corruption thus strengthening the role of the public prosecutor in the trial procedure.

The Financial Police Directorate functions pursuant to the Law on Financial Police adopted on 23 April 2007 published in Official Gazette No. 55/07. Pursuant to the Law on Financial Police, the Directorate becomes a legal person/body within the Ministry of Finance.

²⁴ Official Gazette of the Republic of Macedonia No. 114/06

²⁵ Seven provided bylaws in the Action Plan should not be adopted, amended or harmonised with the existing one.

²⁶ Official Gazette Of the Republic OF Macedonia No. 13.1-3483/1 of 27 June 2007 and Official Gazette Of the Republic OF Macedonia No. 13.1-3482/1 of 27 June 2007.

²⁷ Official Gazette Of the Republic OF Macedonia No. 13.1-3483/1 of 27 June 2007 and Official Gazette Of the Republic OF Macedonia No. 13.1-3482/1 of 27 June 2007.

²⁸ Chapter II part 2 of the Action Plan)

²⁹ No. 13.1-24896/1 of 10 April 2007).

³⁰ Chapter III of the Action Plan)

³¹ Official Gazette Of the Republic OF Macedonia No.13.1-1066/1 of 22 February 2007

³² Official Gazette Of the Republic OF Macedonia No.13.1-1067/1 of 12 February 2007

³³ Official Gazette Of the Republic OF Macedonia No.13.1-957/1 of 12 February 2007

³⁴ No. 07-63990/1 from 8 October 2007

INSTITUTIONAL FRAMEWORK

The Sector for Organisation, Strategic Planning and Development of the Police is established in January 2007. According to the systematisation total number of work posts is 11, 9 of which have already been completed by reassignment from other sectors within the Ministry. Eight Sectors of Interior are established by restructuring of the regional police services, 4 Sectors and 23 sections of Interior are suspended. The new formed Sectors are pursuant to the adopted Strategy for Police Reform, particularly the organisation and structure of the advisory personnel, the Section for Prevention, Police Stations (PS) and the Police Units (PU), Police Stations for the safety for road transport, the Section for Criminal Matters and their external offices on the level of police station. The heads of the eight Sectors for Interior are appointed. Six deputy-heads of the Sectors for Interior are as well as appointed. Regarding the training, the following documents were prepared:

- Program for basic training of the police officer comprising the field of public order and peace, the safety for road transport and the border police i.e. border checks and safety of the State border. The referred program is done within the Twinning Project for development of the police educational system with significant contribution to the police officials from the Police Academy and the Ministry of Interior and
- The Annual Plan for Training of the Ministry of Interior 2008 (with the exception of CID)

The Sector for Human Resources Management in PSB is composed of three Sections with the total number of employees 25: Section for Training, Section for Personnel Development and Section for Personnel Matters. Within the Sector for Legal and Staff Matters there is a Section for Human Resources Management for the services which are under the direct competence of the Minister. Within the Public Security Bureau the systematisation of new organisational unit's centralised for criminal and intelligence units is done. The authorised persons (liaison officers) are appointed by the law enforcement agencies and they will pursue the information exchange pursuant to the Protocols for Cooperation in Combating and Fight against Organised Crime. Several training courses for the working process within the competence of the Sector for Criminal and Intelligence Analysis are carried out.³⁵

Within the Sector for Financial Crime, the three established sections are the following: Section for Economic Crime, Section for Money Laundering and Corruption and Section for Cyber Crime and Counterfeit. The total number of executives within the Department is 21+7 (detached).

For the purpose of strengthening the efficiency in the fight against human trafficking and smuggling migrants, in July 2007 the previous Section for Human Trafficking within the Sector for Violent Crime has been transformed into a Sector for Human Trafficking and Smuggling Migrants. Pursuant to the National Action Plan, in May 2007 the National Commission established interministerial workshop for preparation of the Standard Operative Procedures for identification of the victims of human trafficking. Two particular databases for human trafficking are established: database for perpetrators of criminal acts (the Register of the Republic of Macedonia will be Ministry of Interior- Sector for Human Trafficking) and database for the victims of human trafficking (the Register of the Republic of Macedonia will be NMU within the Ministry of Labour). The training of the operator of the national database of perpetrators was carried out in December.

For the purpose of implementation of the provisions from the Memorandum of Cooperation against Organised Crime and other forms of crime several Protocols have been signed: between the Ministry of Finance and the Ministry of Interior, between the Ministry of Interior - Public Security Bureau and the Ministry of Finance - Customs Administration, Directorate for Money Laundering Prevention, between Financial Police and the Public Revenue Office (11 June 2007) as well as Agreement concerning giving data between the referred institutions (11 June 2007), Memorandum for Cooperation between Institutions and the Public Prosecutor's Office (June 2005).

For the purpose of implementation of the Strategic Document of EUROPOL, the Liaison officer for EUROPOL was appointed in the Sector for International Police Cooperation³⁶ within the Ministry of Interior of the Republic of Macedonia. Within the MI, a Working group responsible for carrying out the activities related to further cooperation with EUROPOL was established.. Contact persons

³⁵ Training of 4 members of OOC-DCIA for using the donated software e-Base and Analyst, e-Notebook;

Training of two members of OOC for designing the database for using the donated software e-Base;

Training of one member of OOC-DCIA for administration in SWL server 2005 and SWL database (May 2007);

Training of 7 analysts for implementation in the process of criminal and intelligence analysis (February 2006);

Training of 21 member of OOC for the intelligence process by introduction in the Irish National Intelligence Model with sub theme management and use of informants (19-23 February 2007);

Within the framework of the Project for Support of the Development in the Department for Criminal and Intelligence Analysis of the United Kingdom in the period November 2006 till September 2007 7 working sessions have been held regarding the principles and standards of the National Intelligence Model of the North Ireland,

³⁶ Pursuant to the Article 4 of the Strategic Agreement, the Republic of Macedonia has appointed the Department for International Police cooperation within the Ministry of Interior to act as a National Contact Point between EUROPOL and other competent authorities in the Republic of Macedonia.

from other competent authorities in Macedonia i.e. from Ministry of Finance, Customs Administration and the Financial Police are also appointed.³⁷

Within the Twinning Project of the Public Prosecutor's office, in 2007 several conferences, seminars, workshops and training in the field of organised crime are realised with the total number of about 50 experts whose cooperation continues in 2008.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Police cooperation and fight against organised crime

Completing the legal framework deriving from the Law on Police is foreseen for the beginning of year 2008.

Drafting of the Strategy for Management of Human Resources and the Police Career Development and other workshops in the MI is planned.

According to the obligations from the Convention for Police Cooperation and for the purpose of practical implementation, the signing of the agreements for implementation with other parties of the Convention is expected for February 2008.

The Rulebook on Realisation of the Matters in the Department for Organised Crime will be adopted at the beginning of 2008.

The Agreement for Police Cooperation between the Ministry of Interior of the Republic of Macedonia and the Federal Minister of Interior of the Republic of Austria will be signed and ratified in 2008.

The final version of the SELEC Convention (Southeast European Law Enforcement Centre) providing forming of the SELEC Centre which will be a legal successor of the SECI Regional Centre for Fight against Border Crossing Crime is expected to be drafted in the first quarter of 2008.

Having in mind the competence of the Section for Cyber Crime covering the legal fundaments of the criminal acts for "protection from violation of copyright and related rights", as well as "intellectual property", amendments on the Criminal Code in Article 157, 157a "Violation of the law on the distributor of encrypted coded satellite channel, 157b "Violation of the law on the film produces-distributor of audio-visual act" and 157c "Violation of the law on the manufacturer of the phonogram" have been foreseen. In the field of the fight against the Cyber crime, a new criminal act is established - Article 193a "Production and distribution of children pornography by Cyber system".

Harmonisation of the Criminal Code provisions with the Framework Decision of the Council regarding attacks on the Cyber systems 2005/222 JNA has been foreseen for the end of 2008.

Generic terms Cyber System and Cyber Data are defined and regarding this, the new Article 274b *counterfeit or abuse of the paying card* is suggested.

For the purpose of more effective application of the special investigative measures for several criminal acts, amendments to the Law on criminal procedure are foreseen.

Ratification of the Convention for the Fight against Human Trafficking by the Council of Europe has been foreseen.

The adoption of the by-laws regarding the Law on Financial Police has been foreseen.

According to the Strategy for Development within the Department for Organised Crime and the Plan for further activities regarding implementation of the criminal intelligence as well as Concrete measures - activities for combating organised crime (FAOC), the activities planned for 2008 are:

- Transposition of the Council Resolution of 21 December 1998 for Combating Organised Crime regarding the establishment of a detail strategy for combating (98/ 408/01)
- Preparation of a Rulebook on the use of criminal and intelligence activities as method of police work in the Public Security Bureau
- Preparation of a Guideline on the use of intelligence database.
- Preparation of a Guideline on determining the documents and equipments within the units for the criminal intelligence.
- Preparation of bylaw Rulebook on guideline of criminal trials.
- Preparation of a Rulebook on the manner and procedure for use of the intelligence database.
- Establishing working group consisted of representatives of bodies competent for implementation of the Law on preparation of the planning activities for establishment of integrated inter-institutional system for criminal intelligence.

³⁷ Pursuant to the Article 5, namely Annex 3 of the Strategic Agreement, the competent authorities in the Republic of Macedonia which are competent for prevention and fight against the criminal matters according to the National Law and at which the Agreement between the Republic of Macedonia and the European Police Office will be applied are: Ministry of Interior - Department for International Police Cooperation, Ministry of Finance-Customs Administration and the Ministry of Finance-Financial Police

Adoption of the Draft Action Plan for Implementation of the Strategic Agreement and starting negotiations for concluding Operative Agreement with EUROPOL has also been foreseen. The measures for realisation of several activities have been foreseen in the referred Draft Action Plan. Negotiations for concluding an agreement, ratification, implementation, mutual awareness of the needs provided for realisation of the cooperation, analysis for eventual problems or omissions, preparation of strategy and ways of development, implementation and evaluation of activities, implementation of the agreement. In the part of the Draft Action Plan regarding the establishment, forming of the national contact point for EUROPOL in the Republic of Macedonia which will become National Office or Unit, the activities that have been foreseen are: The Legal Status, the Relationship with the National unit for EUROPOL with the competent national authorities, the manner of information exchange within the international relations, the Responsibilities for coordination, national strategy and policy for realisation of the tasks, relations with EUROPOL, the access to the national databases, internal working procedures, safety rules, classified information and confidence and network connection.

Preparation is needed of formal acts for determination of the Legal Status, the relations with the national unit for EUROPOL with the competent national authorities, the manner of exchange of information within the international relations, the responsibilities for coordination, national strategy and policy for realisation of the tasks, relations with EUROPOL, the access to the national databases, internal working procedures, safety rules, classified information and confidence and network connection.

INSTITUTIONAL FRAMEWORK

Further implementation of the process of Police Reforms.

- supply of information and telecommunication equipment for regional police services (RPS)
- supply of priority type and number of vehicles for regional police services (RPS)
- construction and reconstructions of facilities of the regional services (RPS)
- realisation of training for:
 - strategic planning
 - projects design and
 - preparation of standard procedures and concepts on prevention and police cooperation and fight against organised crime
- adoption of the Strategy and the Action plan for human resources management and training of the police along with fiscal implications.
- implementation of the career development system
- establishing of complete personal files
- and development of the WEB site as an informational support for informing the employees within the Ministry,
- supply of a systematic way to the coordination, planning and implementation of the training and professional development of the police officials within the framework of the Ministry of Interior based on the training priorities established by the competent organisational units in MI.
- pursuant to the planned activities, after appointing of the commanders and their deputies in the police stations of general competence, OSCE, the Mission in Skopje will realise leadership and management training for newly appointed commanders and their deputies according to the OSCE program approved by the Director of the Public Security Bureau.
- Staffing of the Sector for Criminal and Intelligence and staffing of the Sector for Criminal Analysis. The staffing will be undertaken by reassignment from the existing staff of the Ministry of Interior.
- Establishing Cyber protection
- Achievement of complete function of the criminal and intelligence databases, (first half of 2008) and databases for criminal trials in the competence of the Department for Organised Crime (2008) The purposes of the exchange of information between institutions will be completed by the implementation of the functionality of databases within the institutions
- Establishment of the operative information network of databases between institutions competent for the activities for combating and the fight against organised crime has been foreseen for 2008 thus providing realisation of the Sixth priority of FAOC.
- For the purpose of highly educated and professional staff, providing appropriate training regarding methods, content and educators is foreseen.
- Realisation of training of police officials for handlers regarding criminal and intelligence process and the process of recruitment, management and use of informants.
- Realisation of training of the intelligence analysts regarding criminal and intelligence process and use of analytical techniques for doing analytic and intelligence products.
- Realisation of computer training for intelligence database within the framework of the Unit for Criminal Intelligence.

- Establishing the National Unit for EUROPOL and staff training of this Unit;
- Providing instruments for participation in Twinning projects and support of TAIEX for the purpose of undertaking activities for understanding the comparative experiences for signing of the Operative Agreement with EUROPOL.
- For the purpose of completing of the vacant work post according to the systematisation in the Sector for Financial Crime, as well as for the purpose of selection of professional staff according to the previously made criteria suggested by OOC, the selection of the candidates is in its course of realisation.
- Staffing of the Sector for Human Trafficking and Smuggling Migrants (Section for Human Trafficking and Prostitution and the Section for Smuggling Migrants and Counterfeit Passports). At the beginning of 2008 these work posts will be completed
- Education of trainers for the purpose of training for human trafficking at the Academy TADOC in Turkey.
- Training of operative workers in the field of the implementation of the special trial measures in the Section for Electronic Surveillance.
- Supply of operative instruments i.e. instruments and equipment for electronic surveillance.
- For the purpose of technical equipment of the Section for Cyber Crime and Counterfeit the supply of powerful computer configurations with licensed operative system with unlimited internet access is necessary, as well as an installation of ADSL line in the official offices in the Section, including IP addresses whose own name will not be the MI of the Republic of Macedonia for the purpose of unlimited browsing of the web sites covering forums for stolen numbers of credit cards and other product thus providing us a participation in concrete incriminated agreements for buying and selling. Supply of specialised licensed software for analysis of computers for interception of IP addresses in order to detect the IP address of the perpetrator of the criminal act on Internet.
- The Section for Cyber Crime and Counterfeit, Protection of the Intellectual Property will be strengthened with new staff. Staffing is also needed in the eight regional centres of this organisation type. For the purpose of strengthening the capacity, there is a need for computer training for: research and manner of money counterfeiting and credit card counterfeiting, training for specialised licensed software for computer systems analysis, training for suspension of children pornography through Internet.

There is a need of new employments in the Unit for prosecution of the perpetrators of criminal acts in the field of organised crime and corruption within the Public Prosecutor's Office as follows : - holder of Public Prosecutor' function, a councillor and staff in the logistics. In May-June 2008, within the framework of the Twinning Project in the Public Prosecutor's Office ,10 specialisations will be realised in the National Anti Mafia Bureau in Rome.

The spatial, technical and staff strengthening of the Financial Police has been foreseen, namely new employments of financial police officers and technical personnel (administration).

MEDIUM-TERM PRIORITIES

LEGISLATION

In order to standardise DNA procedures, harmonisation with the Council Resolution of 9 June 1997 on the exchange of DNA analysis results (97/C 193/02) and the Council Resolution of 25 June 2001 on the exchange of DNA analysis results will be made through drafting laws and bylaws to incorporate the decisions from the aforementioned EU measures.

In addition, the Criminal Code will be further aligned with the Council Framework Decision of 28 May 2001 on combating fraud and counterfeiting of non-cash means of payment (2001/413/JHA), OJ L 149 of 2 June 2001, p.1, as well as with the Cyber Crime Convention and the additional Cyber Crime Convention Protocol for incrimination of racist and xenophobic activities through information systems.

INSTITUTIONAL FRAMEWORK

- Deliver quality trainings to the executors in order to achieve enhanced efficiency, professionalism and expertise in implementing the activities.
- Ensure further development of the integrated system for criminal intelligence and analysis in accordance with effects and needs that will result from the application of the criminal intelligence method in the police work.
- Training for representatives of the Sector for Trafficking in Human Beings:
 - Techniques for identification of trafficking victims
 - Contemporary methods for conducting crime investigations of trafficking in human beings with application of a proactive method
 - Conducting mutual international investigations

- Deliver trainings to the performers in the Sector for Financial Crime in areas related to financial crime
- Staffing in the Financial Police, i.e. new employments of financial police officers and technical staff (administration)
- Continuous education of the Financial Police employees in order to enhance the efficient combat against organised crime under the jurisdiction of the Directorate, money tracking and cooperation with international police organisations

FOREIGN ASSISTANCE

OVERALL OVERVIEW OF FOREIGN ASSISTANCE

Police cooperation and fight against organised crime

The Project for Development of Criminal Intelligence and Analysis in accordance with the Memorandum between the United Kingdom and the Ministry of Interior for bilateral technical cooperation (technical assistance and education of staff) will continue the projected activities with experts from the police services in Northern Ireland. Educational and technical assistance for reinforcing the personnel and technical capacities of the criminal intelligence and analysis units within the ICITAP program.

Assessment of the needs for allocation of funds through inclusion in IPA 2008 funded projects in order to support further development of criminal intelligence and analysis and operational IT data bases connection.

The INTERPOL General Secretariat in Lion, funded by the Stability Pact, is expected to donate IT equipment for connecting the Ministry of Interior highest police bodies with the Interpol information system to enable direct access to central bases of wanted individuals, stolen vehicles and lost/stolen passports.

The beginning of the Project for assistance in the police development is planned for the first quarter of 2008. The Project will be funded by IPA funds (total amount of EUR 9.4 million), aiming at completing the police reform process.

The first component of the IPA funds (amounting EUR 7.7 million) covers "Assistance in the implementation of the police reform strategy" project, which includes advisory and financial support in the police reform process, in order to ensure consistency and continuity of the approach, up-to-date progress consolidation and support of the impulse.

The second component (amounting EUR 0.3 million) will provide advisory services in order to enhance the capacities of the stakeholders in the fight against organised crime, with focus on trafficking in human beings.

The third component (amounting EUR 1.6 million) will cover provision of relevant infrastructure. The priorities for investments will be defined within the first component.

- Activities for launching twinning projects for the financial police are needed, i.e. resume the draft-twinning project with the Italian financial police.
- In order to reinforce the combat against trafficking in human beings as a form of organised crime, the Sector for Trafficking in Human Beings entered a short-term (2007-2008) regional project with UNDOC office in Belgrade. The goal of this project is a mutual training of investigating and analytical teams from 7 countries in conducting shared operations – investigations of trafficking in human beings.

3.24.7 FIGHT AGAINST TERRORISM

CURRENT SITUATION

LEGISLATION

In February 2007, the Ministry of Interior of the Republic of Macedonia adopted an Instruction on procedures and measures undertaken by the Ministry of Interior upon received information on terrorist operations.

Strategic documents

Starting from the set strategic priorities of the Republic of Macedonia for integration in NATO and the European Union, and along those lines, establishment of a security system compatible with and appropriate to the NATO security system as an essential prerequisite for equal participation and membership of the Republic of Macedonia in the international institutions, the Ministry of Interior, i.e. the Administration for Security and Counter-Intelligence will undertake measures and activities in the following period, for the purposes of which a national program "National Security and Fight against Terrorism" was developed. The aforementioned program is an integral part of the Ministry of Interior Strategic Plan 2008-2010.

INSTITUTIONAL FRAMEWORK

The institutions listed below appear as competent institutions undertaking measures for fight against terrorism: Ministry of Interior (Administration for Security and Counter-Intelligence and Special forces – Special Tasks Unit and Rapid Deployment Unit), Ministry

of Foreign Affairs, Ministry of Defence (Military Service for Security and Intelligence), Ministry of Justice, Ministry of Finance (Financial Police, Customs Administration, Directorate for Prevention of Money Laundering, National Bank of the Republic of Macedonia), Intelligence Agency and within the Public Prosecutor's Office of the Republic of Macedonia, the Unit for Prosecuting Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption, as well as the Inter-ministerial Coordinative Body for coordination of activities in the fight against international terrorism.

Pursuant to the Law on Internal Affairs and the Law on Intelligence Agency, the Assembly of the Republic of Macedonia shall monitor the work; supervise the activities and developmental changes in this area through the "Committee for Supervision of the Work of the Administration for Security and Counter-Intelligence and the Intelligence Agency". The Committee submits annual report on the performance of the Administration for Security and Counter-Intelligence and the Intelligence Agency to the Assembly of the Republic of Macedonia.

At the same time, the President of the Government of the Republic of Macedonia and the President of the Republic of Macedonia are informed about the state of security in the country and the region through mutual intelligence information from the security services.

The cooperation between the Ministry of Interior (Administration for Security and Counter-Intelligence) and the Ministry of Finance (Directorate for Prevention of Money Laundering) operates in accordance with the Memorandum of Understanding between the two Ministries (December 2006) and the Protocol for Cooperation in Prevention and Fight Against Terrorism and Organised Crime between the Administration for Security and Counter-Intelligence and the Directorate for Prevention of Money Laundering (July 2007).

The security services of the Republic of Macedonia maintain continuous and good cooperation with NOS (NATO Office of Security), ILU (Intelligence Liaison Unit) and TTIU (Terrorist Threat Intelligence Unit). These bodies were in direct communication and held meetings several times during 2007.

The security services of the Republic of Macedonia increased and improved the level of cooperation and intensified the communication with the intelligence offices of the NATO Member States and the Member States of the Adriatic Charter. On multilateral level, the Administration for Security and Counter-Intelligence is a full member of the South Eastern Europe Intelligence Centres Conference, a body aiming at aligning interests and developing common strategy of the South Eastern Europe countries for prevention and repression of international terrorism threats.

The Antiterrorism and De-Mining Department within the Administration for Security and Counter-Intelligence conducts continuous training of the remaining departments within the Ministry of Interior and the Government of the Republic of Macedonia on dealing with real cases of terrorism.

SHORT-TERM PRIORITIES

LEGISLATION

The adoption of the Law Amending the Criminal Code is planned for the beginning of January. The aforementioned amendments are related to the alignment with: The Council of Europe Convention on Prevention of Terrorism and the International Convention on Prevention of the Financing of Terrorism.

In line with the Council Framework Decision of 13 June 2002 on combating terrorism (32002F0475), it is needed that amendments in the Criminal Code are planned in relation with penalties for legal persons (pursuant to Article 8 of the Framework Decision) and in relation with offences linked to terrorist activities (pursuant to Article 3 of the Framework Decision).

The adoption of the Law on Money Laundering Prevention and Other Financial Proceeds from Criminal Offence and Financing of Terrorism is envisaged for the beginning of January, in compliance with: the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and Financing of Terrorism (2005), amending the Strasbourg Convention (1990), the third EU Directive on prevention of use of financial system for the purpose of money laundering and terrorist financing (2005); FATF recommendations on prevention of financing of terrorism.

The process of amending the Law on Criminal Procedure is on going, in terms of data and evidence provision, necessary for successful criminal procedure, i.e. in order to provide data and evidence necessary for successful criminal procedure, which cannot be provided in other manner or their provision would be related to greater difficulties, undertaking of investigation measures for several criminal acts, including the criminal act of "terrorism", can be ordered.

The Convention of the Council of Europe on Prevention of Terrorism will be ratified during 2008.

With the conclusion of an Operational Agreement with EUROPOL, the manner of cooperation and exchange of data related to investigation of terrorist acts will be regulated in accordance with the Council Decision (32005D0671) of 20 September 2005 on the Exchange of Information and Cooperation Concerning Terrorist Offences.

The conclusion of the Cooperation Agreement with EUROJUST (December 2008) will enable the implementation of the Council Decision (32005D0671) of 20 September 2005 on the exchange of information and cooperation concerning terrorist offences.

The Ministry of Interior will adopt the Guidelines on Antiterrorist Protection of Buildings at the beginning of 2008.

An Elaborate on Establishing an Antiterrorist Training Centre within the Department for Antiterrorism and De-Mining of the Administration for Security and Counter-Intelligence will be adopted.

INSTITUTIONAL FRAMEWORK

An Antiterrorist Training Centre within the Department for Antiterrorism and De-Mining of the Administration for Security and Counter-Intelligence will be established.

A procedure for appointing a National Antiterrorism Coordinator will commence during 2008. The National Antiterrorism Coordinator should, on a national level, coordinate the activities between the military and civil intelligence and counter-intelligence services and agencies related to preparation and exchange of intelligence data and information between NATO and the Republic of Macedonia, especially in the area of combating terrorism as a priority of the international community.

At the same time, the Administration for Security and Counter-Intelligence will reinforce its activities within the South Eastern Europe Intelligence Centres Conference and will continue the procedure for accepting the application for full membership in the Mid Europe Conference (MEC).

MEDIUM-TERM PRIORITIES

LEGISLATION

The Convention for protection of all persons from enforced disappearance will be ratified in the course of 2009.

The Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism will be ratified.

3.24.8 FIGHT AGAINST DRUGS

CURRENT SITUATION

LEGISLATION

The Law on Precursors (Official Gazette of the Republic of Macedonia 40/2007) was adopted, including the bylaws, which were adopted and should be published in the Official Gazette of the Republic of Macedonia. Those were partially harmonised with the relevant EU measures³⁸. An Action Plan for Control of Drugs was adopted. It consists of two parts: pre-implementation part (covering a one-year period – 2007) and implementation part (covering the period between 2008 and 2012); in accordance with the Action plan, a Strategy for communication on narcotic drugs, precursors and psychotropic substances was adopted.

INSTITUTIONAL FRAMEWORK

In accordance with the National Strategy for Fight against Drugs, a State Interministerial Commission for fight against drugs was established. The Government of the Republic of Macedonia brought a decision to establish a National Monitoring Centre for Drugs and Drug Addiction (Official Gazette of the Republic of Macedonia 62/2007). At the moment, this Centre is being furnished and staffed. The Customs Administration of the Republic of Macedonia introduced several new techniques for monitoring of transiting freight vehicles through GPS techniques and installation of video cameras at the border crossing points.

Mixed teams of the Ministry of Interior and the Ministry of Health were formed to work in the area of control of precursors. A number of trainings, workshops and seminars on decreasing the request of drugs were held (prevention, treatment, social protection, reduction of damages), as well as a number of educational and practical training in fight against diversion of precursors through legal and illegal channels. A number of trainings were delivered for the employees at the Sector for Illegal Trafficking in Drugs – application of special investigation measures in the fight against illegal trafficking in drugs, as well as a number of seminars for the Uniformed Police in different towns in the Republic of Macedonia about identification of narcotic drugs and

³⁸ Rulebook on the Form, Contents and Method of Issuing the Pre-Export Notification Form, Rulebook on Data Content in the Annual Reports of the Operators that Sell Precursors, Rulebook on the Contents of Requests for License for Import, Export, Transportation and Transiting of Precursors and the Form of the License for Import, Export, Transportation and Transiting of Precursors, Rulebook on the Contents of the Request, Approval and the Method of Issuing the Approval for Selling Precursors, List of Countries that Request to Be Informed about the Planned Export of Precursors from the Republic of Macedonia in their Territory and Rulebook on Form and Contents of the Statement for the Purpose of the Precursor

techniques for examination of individuals, etc. Practical and theoretical trainings were organised in the partner countries Hungary and the Netherlands for the responsible individuals in the laboratories of the Ministry of Health, the Ministry of Interior and the Forensic Medicine (within the CARDS project). These individuals were awarded certificates for identification and profiling of narcotic drugs, psychotropic substances and precursors. The training resulted in establishing relations with the partner laboratories for future cooperation and data exchange.

In order to increase awareness of the narcotic drugs, 50,000 brochures for the most common illegal drugs in the Republic of Macedonia were developed in Macedonian and Albanian language.

SHORT-TERM PRIORITIES

LEGISLATION

The Law on Narcotic Drugs was drafted and is in parliamentary procedure of adoption. The Law was drafted in cooperation with the experts from the Netherlands and Hungary within the CARDS Fight against Crime Related to Drugs Project. The Law has been entirely harmonised with the UN Conventions on narcotic drugs and psychotropic substances, as well as against illicit traffic of narcotic drugs and psychotropic substances (1961/1972/1988) and the Council Regulation 1673/2000.

An adoption of Law on Health Register is envisioned for the end of 2008. It will enable pragmatic statistics (taking into consideration the quantitative and qualitative indicators), since in accordance with the existing legislation, addiction illnesses are registered in a same group.

In accordance with the Action Plan for Control of Drugs, adoption of Programs for prevention of drugs is envisioned for 2008.

INSTITUTIONAL FRAMEWORK

The operational start of the Monitoring Centre for Drugs and Drug Addiction is envisioned for the first quarter of 2008. The procedure for employment of 1 individual is on-going.

In accordance with the Council Regulation 302/93 of 8 February 1993, at the beginning of the year, the Monitoring Centre for Drugs and Drug Addiction will be connected with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) with the purpose of exchanging information and experience in the field.

The establishment of the Monitoring Centre for Drugs and Drug Addiction will connect the three institutions that will provide data related to drugs: The Ministry of Health, the Republic Institute for Health Protection, the Ministry of Interior and the Ministry of Finance - Customs Administration. Apart from processing data from the 5 epidemiological addiction indicators, the Centre will process data related to confiscated drugs. In addition to quantitative, it will ensure qualitative data according to internationally accepted standards.

Upon the adoption of the Law on Narcotic Drugs, a Coordinative Centre for treatment and reduction of damages will be established to coordinate the work of all centres in the Republic of Macedonia.

The establishment of regional units of the local self-government pursuant to the Law on Equal Regional Development and the Law on Local Self-Government is on-going. Part of the activities of these units will focus on drug prevention. Connection of the State Inter-ministerial Commission for Fight against Drugs with the regional units, upon their establishment, is envisioned. The goal is to achieve mutual corporative Strategy for undertaking activities in the subject area.

In order to enhance the inter-ministerial cooperation, it is envisioned that the Ministry of Health signs Memoranda of Understanding with other ministries.

- Memorandum of Understanding among the Ministry of Interior, the Ministry of Health, the Customs Administration, the Ministry of Justice and the Ministry of Agriculture.
- Memorandum of Understanding between the Ministry of Interior and the Ministry of Health.
- Memorandum of Understanding between the Ministry of Health and the industry.
- Memoranda of Understanding between DMKD (Monitoring Centre for Drugs and Drug Addiction) and the regional centres for drugs (9)

The Annual Program activities of the inter-ministerial commission for fight against drugs will be implemented, including:

- Development of a corporative Strategy on national and regional level for control of drugs (DMKD-Monitoring Centre for Drugs and Drug Addiction and the regional units)
- Establishment of a system for assessment of magnitudes and trends of illicit use of drugs in the country, region and globally, as part of the majority of the program activities. This activity will provide reliable information for the trends of illicit use of drugs, which will contribute to improvement of prevention programs on all levels.
- The goal of the program is to establish a system for reporting on three levels – *decentralised level* (regional units to DMKD-Monitoring Centre for Drugs and Drug Addiction), *national level* - (relevant institutions to DMKD-Monitoring Centre for Drugs and Drug Addiction) and *international reporting* – resulting from the international conventions and resolutions.
- Building the capacities for improvement of the system for collection and evaluation of data about drugs and drug addiction – Operational Centre for Drugs and Drug Addiction to be connected with the European Centre for Drugs and Drug Addiction in Lisbon.

- Increase awareness and notification about drugs on regional and national level, through seminars, workshops, campaigns.

There is a need for trainings by the Sector for Illegal Trafficking in Drugs related to exchange of experience and application of special investigation measures in the fight against illegal trafficking in narcotic drugs.

MEDIUM-TERM PRIORITIES

LEGISLATION

Complete harmonisation with the EU measures related to precursors in the period after the accession of the Republic of Macedonia in the EU.

INSTITUTIONAL FRAMEWORK

Human resources strengthening of the National Centre for Treatment, Reduction of Damages, Social Re-integration and Re-socialisation are envisaged.

FOREIGN ASSISTANCE

- CARDS twinning project "Fight against Crime Related to Drugs".
- Established mutual cooperation and support by the Embassy of the Republic of France, within which a number of educational and practical trainings for fight against diversion of precursors through legal and illegal channels were organised. The trainings were conducted by experts of the Paris Police Brigade
- A number of trainings were organised by the Drug Enforcement Administration (DEA), the International Criminal Investigative Training Assistance Program (ICITAP) and the Organisation for Security and Co-operation in Europe (OSCE)

3.24.9 CUSTOMS COOPERATION (see Chapter 29 as well)

CURRENT SITUATION

LEGISLATION

Pursuant to the amendments of the Law on Misdemeanours (Official Gazette of the Republic of Macedonia No. 62, May 2006) and the amendments of the Law on Customs Administration (Official Gazette of the Republic of Macedonia No. 107, September 2007), the exclusive right to undertake misdemeanour procedure and to adopt misdemeanour sanction and special misdemeanour measure for committed customs misdemeanour belongs to the Customs Misdemeanour Body, i.e. the Commission for Adoption of Misdemeanour Sanctions within the Customs Administration of the Republic of Macedonia.

As part of the international cooperation, an Agreement between the Government of the Republic of Macedonia and the Ministerial Cabinet of Ukraine for mutual cooperation in customs works was signed in Kiev on 21 September 2007. Memoranda of Cooperation with Croatia Euroline and Japan Tobacco International were signed. In October 2007, the Code of Conduct for the customs officers was adopted.

INSTITUTIONAL FRAMEWORK

The new Protocol for cooperation in prevention and fight against organised crime (2007) among the Ministry of Interior, the Public Security Bureau and the Ministry of Finance - Customs Administration was signed. In addition, the following Memoranda of Understanding were signed: between the Ministry of Interior – Border Police and the Ministry of Finance - Customs Administration (29 December 2006), among the Ministry of Health, the Ministry of Finance – Customs Administration and the Ministry of Interior – Radiation Safety Directorate (20 June 2007), between the Ministry of Finance – Customs Administration and the Ministry of Environment and Spatial Planning (20 June 2007).

A Memorandum of Cooperation between the Ministry of Finance - Customs Administration and the Macedonian Air Transport was signed, as well.

In November 2007, in Ohrid, the third Regional Conference of the Customs Sectors was held. The goal of the Conference was connection of the operational centres, cooperation and coordination in the fight against trafficking in tobacco, as well as electronic data exchange and cooperation of the customs intelligence services.

SHORT-TERM PRIORITIES

LEGISLATION

Following the ratification of the Convention on Temporary Import, Istanbul Convention (Official Gazette of the Republic of Macedonia No. 29, March 2006), the Convention on the Simplification and Harmonisation of Customs Procedures (Amended Kyoto Convention) is expected to be ratified by the end of 2007.

INSTITUTIONAL FRAMEWORK

New employments in the Customs Administration, in the Centre for Automatic Data Processing, as well as in the Customs Offices in the Republic of Macedonia are needed. By the end of 2008, staffing of the Sector for Control and Investigations, as well as the Customs Offices in the Republic of Macedonia is envisaged.

In relation with the development and improvement of the methods of risk analysis and selection in discovery of illicit trafficking and crime, a system for data gathering and processing, as well as automation of the profiling process will be established during 2008.

In relation to interconnectivity with the EU system, preparation of the NCTS and the ITMS projects is envisaged in the course of 2008, as well as development of ICT Strategic Documents, primarily IIS Strategy (Implementation and Interoperability Strategy). In addition, trainings in TEMPO methodology, implementation of adequate organisational changes within the Sector (Helpdesk and Project Management) are envisaged.

(For detailed information, see Chapter 29, Customs Cooperation)

MEDIUM-TERM PRIORITIES

LEGISLATION

The non-harmonised areas will be fully aligned in the course of the second revision of the customs legislation, which implies that the Republic of Macedonia shall commence with their application as a part of the *Acquis* as of the day of its admission to the European Union. These areas refer to: The Rules of origin – adoption of the rules for non-preferential origin of goods and the rules applied by the European Union regarding the occupied territories and the rules for application of GPS; special rules and documents applied to the customs goods moving among Member States; special rules for exchange of different kinds of information for implementation of customs regulations among the Member States or between the Member States and the Commission. At the same time, the implementation of the Common Communication Network (CCN) and development of a proposal for introduction of a New Computerised Transit System (NCTS) will commence. Preparations for ratification and implementation of the Convention on mutual assistance and cooperation between Customs Administrations of the EU Member States of 1997 (Naples II) and the Convention on the use of information technology for customs purposes (CIS) will commence, and their final ratification and implementation will follow upon accession to the EU. (For detailed information, see Chapter 29, Customs Cooperation)

CUSTOMS COOPERATION

The Republic of Macedonia works on creating an integral Intelligence system and common database to be used by all state bodies involved in the fight against organised crime. The increase of the customs capacity to fight against border crime is a priority in this area. Adequate level of infrastructure and equipment, including computerisation and adequate investigation capacities, as well as establishing efficient customs organisation with a sufficient number of qualified and motivated staff with a high level of integrity will be provided in order to achieve more efficient customs cooperation.

3.24.10 COUNTERFEITING OF THE EURO

CURRENT SITUATION

The incrimination of the criminal act - Euro and other foreign currencies counterfeiting is stipulated in Article 268 of the Criminal Code (Official Gazette of the Republic of Macedonia No. 37/96, 80/99, 4/02 and 19/04).³⁹ The Ministry of Interior procedure for registering of the counterfeited Euro and other foreign currencies is regulated with a Rulebook on the content and manner of keeping police evidence and the form and content of the form for police evidence (Official Gazette of the Republic of Macedonia No. 78/07).⁴⁰

INSTITUTIONAL FRAMEWORK

The National Bank of the Republic of Macedonia is the competent institution for undertaking measures against counterfeiting of the national currency – the denar – through its Directorate for Treasury Operations whose expertise is to deal with counterfeited or suspicious national currency banknotes.

In accordance with the organisational structure of the Ministry of Interior, a Section for Cyber Crime and Counterfeit has been established within the Department for Organised Crime. The competence of the Section is to implement, prevent, discover (prove and document) and undertake criminal procedures in front of the authorised courts for proving criminal acts and criminal responsibility of organised crime groups that deal with production and dissemination of counterfeited money.

The Section for Cyber Crime keeps a register for discovered counterfeited money, counterfeited Euro and other counterfeited foreign currencies. The Section for Cyber Crime and Counterfeit keeps records of criminal acts related to counterfeiting of money

³⁹ Pursuant to Article 268, counterfeiting money is criminal act to be prosecuted and the perpetrator of the act can be sentenced with one to ten years of imprisonment, and for a qualified act, with at least five years of imprisonment.

⁴⁰ The abovementioned Rulebook regulates the procedures for keeping register of discovered counterfeited money, counterfeited Euro and other counterfeited foreign currencies.

and securities in order to prevent and document such acts ⁴¹. The competence for forensic analysis of counterfeiting banknotes-Euro and other foreign currencies belongs to the Section for Investigation of Controversial Documents at the Department for Forensic Science at the Ministry of Interior of the Republic of Macedonia. The aforementioned Section conducts analysis of foreign banknotes in terms of their originality, identification of findings and giving opinion for the (non)originality of the banknotes, development of photo documentation for the banknotes that were subject to analysis, as well as keeping records of the type of banknotes that were subject to analysis (EUR, USD, etc.). The Section for Investigation of Controversial Documents at the Department for Forensic Science at the Ministry of Interior keeps records of the nominal value of the banknotes, their serial number, and the number on the plate to which the banknotes are placed. An Annual Report on the number of counterfeited banknotes that were subject to analysis during the year is developed and submitted to Interpol – Lion through the National Central Bureau (NCB) Interpol – Skopje.

In cases of higher quality counterfeited banknotes by an organised group, the competency falls under the Department for Organised Crime and the Unit for Prosecuting Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption at the Public Prosecutor's Office of the Republic of Macedonia.

SHORT-TERM PRIORITIES

LEGISLATION

In terms of alignment and harmonisation of the Macedonian legislation with the Council Framework Decision of 29 May 2000 (32000F0383) on increasing protection by criminal penalties and other sanctions against counterfeiting in connection with the introduction of the Euro, there is a need to amend the Criminal Code of the Republic of Macedonia in order to increase the penalty to a minimum of 8-year imprisonment as foreseen in the abovementioned Decision.

In 2008, a new Law on the National Bank will be adopted, which, in accordance with the European regulation on protection of the Euro, will pass the authority for forensic analysis of counterfeited Euro and other foreign currencies to the National Bank of the Republic of Macedonia. Upon adoption of the new Law, in terms of aligning with the Council Decision of 6 December 2001 on the protection of the Euro against counterfeiting (32001D0887), a National analytical centre for counterfeited Euro and other foreign currencies will be established at the National Bank of the Republic of Macedonia. On the basis of the new Law on the National Bank, an Instruction on the manner of reporting counterfeited Euro and the procedures to discover counterfeited money will be adopted and submitted to all banks and other authorised banking organisational units, as well as to the Ministry of Interior.

INSTITUTIONAL FRAMEWORK

- Establishment of a National Analytical Centre at the National Bank of the Republic of Macedonia authorised for forensic analysis and recording of suspicious or counterfeited Euro and other foreign currencies in the course of 2008.
- Technical equipping of the Section for Cyber Crime with 8 computers in the period between January and December 2008. The funds for purchasing the computers, amounting MKD 915,000.00, are already allocated in the 2008 budget of the Ministry of Interior.
- Further staffing of the Section for Cyber Crime authorised for protection of the Euro from counterfeiting. In line with the existing Systematisation Act, employment is envisaged through transfer from other organisational sections of the Ministry of Interior in 2008.
- The Ministry of Interior, in the period between 1 January 2008 and 31 March 2008, will develop a "New methods and measures for discovering money counterfeiting" program for tailored training of the employees in charge of protection of the Euro from counterfeiting.
- Training of 2 employees at the Section for Cyber Crime, 2 employees at the Section for investigation of controversial documents and two representatives from the National Bank. The training will be delivered in accordance with the "New methods and measures for discovering money counterfeiting" program in the period between June and December 2008. The funding for the delivery of the training is planned to be provided from foreign assistance within the Pericles project.

MEDIUM-TERM PRIORITIES:

LEGISLATION

INSTITUTIONAL FRAMEWORK

- Training of 16 authorised officials in 8 regional organisational units within the external offices that will work on protection of the Euro from counterfeiting. The training will be delivered in the period between February and December 2009. The funding for the delivery of the training is planned to be provided from foreign assistance within the Pericles project.
- Continuous monitoring and training in order to successfully handle new criminal acts using modern electronic payment methods, funded through the European Agency for Reconstruction within the Pericles project.

⁴¹ The abovementioned records contain evidence of up-to-date discovered and solved cases by towns and places of usage, type of counterfeited currency, the technique used in counterfeiting, identification of the origin of the counterfeited money, type of paper, individuals that participated in provision and dissemination, as well as other participants that disseminated the counterfeited banknotes and other data.

FOREIGN ASSISTANCE

Foreign assistance:

- The Pericles project, funded through the European Agency for Reconstruction, ensures continuous monitoring and training in order to successfully handle new criminal acts using modern electronic payment methods.

3.25 SCIENCE AND RESEARCH

3.25.1 RESEARCH POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

- The Government of the Republic of Macedonia has been working on completing the harmonisation of the new Law on Scientific and Research Activity with the Law on Higher Education. The Assembly of the Republic of Macedonia is expected to adopt the new Law on Scientific and Research Activities by the end of the first quarter of 2008. The adoption of the new Law came as a result of observing certain drawbacks in the legislation related to this field and the need for creating a new legal framework to conform to EU research policies. This Law incorporated guidelines contained in the EU Council Recommendations No. 2005/601/EEC.
- Aiming at the fulfilment of guidelines contained in the Lisbon Agenda, the 2008 Budget provides for increase in funds intended for science and technological development.

INSTITUTIONAL FRAMEWORK

During 2007, the new composition was established of the Council for Scientific and Research Activity, which is an expert and advisory body to the minister in charge of matters belonging to the field of science.

The Council conducted an evaluation of 2006 scientific and research projects funded by the Ministry of Education and Science. In response to this open invitation, 166 projects were submitted in total, out of which 149 met the invitation requirements.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

1. Adoption of the Law on Scientific and Research Activity to regulate the principles, goals and forms of organisation and management of scientific and research activities. This Law shall stipulate commitments to be funded from the state budget and other sources and intended for accomplishment of goals related to the social and economic development of the Republic of Macedonia.

2. Within three months following the adoption of the Law on Scientific and Research Activity, the Minister shall issue the following bylaws:

- Rulebook on the procedure and closer criteria on the financing and the supervision of the annual programmes for scientific and research programmes of scientific and research entities
- Rulebook on the manner and procedure of funding scientific and research projects or programmes;
- Rulebook on the procedure and closer criteria related to co-funding in the field of publishing;
- Rulebook on the manner and procedure of funding, generation and professional improvement of scientific and research staff; this Rulebook shall be harmonised with the following EU measure: Commission Recommendation of 11 March 2005 on the European Charter for Researchers and on a Code of Conduct for the Recruitment of Researchers (Text with EEA relevance) *Official Journal L 075 , 22/03/2005 P. 0067 – 0077* Celex no. 32005H0251
- Rulebook on the manner and procedure of election to a higher scientific title;
- Rulebook on the procedure and closer criteria related to the extraordinary election to scientific and assistants' titles;
- Rulebook on the manner and procedure of maintaining databases.

This Rulebook shall incorporate the EC Regulation implementing Decision of the EU Parliament and of the Council as regards statistics on science and technology. Celex no.32004R0753

3. Adoption of the National Programme of Scientific and Research Activity of the Republic of Macedonia. The National Programme of Scientific and Research Activity of the Republic of Macedonia emerges from national development strategic documents of the Republic of Macedonia. This National Programme shall define development directions and funding priorities in the field of science and research. Also established in the National Programme shall be starting points, goals, contents and scope of duties in the sphere of science, the manner of coordination and implementation thereof, the research infrastructure required, the method of funding science and research activities, projections regarding staffing needs in science, and indicators for monitoring the efficiency of practicing scientific and research activities. This programme will follow guidelines contained in the Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions - Towards A European Research Area/* COM/2000/0006 final */ Celex no. 52000DC0006

4. Adoption of the Law on Promotion and Support of the Technological Development.

The purpose of the Law on Promotion and Support of the Technological Development is emphasizing the role of technological development in accomplishing the goals of continued economic development in the country by directly linking science with

economy. By means of this Law, technological infrastructure holders will be precisely defined and the manner will be established of funding relevant activities.

5. Adoption of the Rulebook on the manner of utilisation of funds for promotion and support of the technological development deriving from the Law on Promotion and Support of the Technological Development.

6. Adoption of the Technological Development Programme (duration of four-years)

7. Preparatory actions related to the drafting of an integrated research policy:

- Training in "Integrated Policy Creation in Research" - TAIEX 30 persons in total;
- Information document to the Government of the Republic of Macedonia on drafting the integrated research policy programme;

INSTITUTIONAL FRAMEWORK

1. Establishing the Board of Ethics
2. Establishing the National Committee for Development of Scientific and Research Activities and Technological Development
3. Proclaiming Centres for Excellence
4. Establishing the Technology Transfer Centre (Centre of Technology / Core of Technology);
5. Establishing the Park of Science and Technology
6. Strengthening of the staff at the Sector for Science and Technological Development, that includes the Unit for International Cooperation and Seventh Framework Programme, the Unit for Science Projects; the Unit for Technological Development and Technical Culture in the course of 2008

MID-TERM PRIORITIES

LEGAL FRAMEWORK

1. Establishing a working group to draft the Integrated Research Policy Programme
2. Adopting the Integrated Research Policy Programme by the Government of the Republic of Macedonia
3. Implementing the Integrated Research Policy

INSTITUTIONAL FRAMEWORK

1. In 2009 and 2010, an increase is projected to take place of the number of excellence centres, technological parks and cores of technology, contingent upon previously providing their successful operation.
2. Strengthening of the staff at the Sector for Science and Technological Development that includes the Unit for International Cooperation and the Seventh Framework Programme, the Unit for Science Projects, and the Unit for Technological Development and Technical Culture, in the course of 2009 and also in 2010

INTERNATIONAL SUPPORT

3.25.2 FRAMEWORK PROGRAMMES

CURRENT SITUATION

LEGAL FRAMEWORK

INSTITUTIONAL FRAMEWORK

As part of the Sixth Framework Programme in the Republic of Macedonia, 6.2 million EUR have been used to fund 45 projects. The Memorandum of Cooperation relating to the Seventh Framework Programme was signed on 13 June 2007 and entered into force as of 1 January 2008.

At present, there are 12 NCP-s (National Contact Points) established within this Programme and covering all relevant priorities. Responding to relevant invitations issued during 2007, the Republic of Macedonia submitted 129 applications, 15 of which were successful projects, with the relevant budget amounting to 2,023,980 EUR.

The Republic of Macedonia's science workers base registered with the ERA WEST RESEARCH NET increased considerably; additional efforts need to be made in order to have even higher shares of these workers in the base.

SHORT-TERM PRIORITIES

1. Raising awareness on the possibilities of the 7-th Framework Programme and raising the level of preparedness and professional training among members of the scientific public to apply for the 7-th Framework Programme projects, to be delivered by the Ministry of Education and Science. This goal will be achieved by means of seminars, info days, training courses and presentations to include state and private universities, public and private scientific institutions, and independent researchers.
2. Increased participation in the Seventh Framework Programme by means of application projects.

INSTITUTIONAL FRAMEWORK

A Unit for International Cooperation in the Field of Science and the Seventh Framework Programme was established within the Ministry of Education and Science. In view of tasks planned to be taken over within this Programme, it has been foreseen for this Department to be raised to a higher level.

1. Establishing a special Office or a special Department for the 7-th Framework Programme within the Ministry of Education and Science, in the operation of which the 7-th Framework Programme the NCP-s will also take active part.
Capacity strengthening of the Unit has been foreseen.

MID-TERM PRIORITIES

1. Continuous dissemination of information on the 7-th Framework Programme for the purposes of providing for transparency with calls in the frames of the Programme
2. Quantitative and qualitative increase of participation in this Programme's projects by the moment of completion of the 7-th Framework Programme

INTERNATIONAL SUPPORT

3.25.3 EUROPEAN RESEARCH AREA

CURRENT SITUATION

LEGAL FRAMEWORK

- In the period between 2006 and 2007, the Republic of Macedonia participated in 32 COST Programme actions, one of which was proposed by the Republic of Macedonia.
- In 2007, as part of the SEE ERA NET Programme, the Pilot Joint Call was launched, within which 15 projects were approved for the Republic of Macedonia, which brought the Republic of Macedonia to the third position, right behind Greece and Serbia, by success recorded with approved projects.
- In 2007 the Republic of Macedonia became partner in the INCO-NET Programme implementation which is expected to offer possibilities for increased participation of the scientific public from the Western Balkan countries in research activities and projects of the European Research Area (ERA). The duration of this programme's implementation shall be 2 years.
- Research work at the local level for all programmes, except COST, shall be funded by the European Commission.

INSTITUTIONAL FRAMEWORK

SHORT-TERM PRIORITIES

1. Activities related to organizing info - days on COST and SEE ERA NET+ and presentation of the SEE ERA NET+ Programme at scientific and research institutions
- 2 INCO-NET implementation, aiming at increased participation of the Republic of Macedonia's scientific public in the European Research Area, through organizing appropriate training courses, info days and creating strategies

INSTITUTIONAL FRAMEWORK

1. Organizing a training on administration and management of EU Programmes for 30 participants

MID-TERM PRIORITIES

LEGAL FRAMEWORK

1. Increased participation in SEE ERA NET+, COST

INSTITUTIONAL FRAMEWORK

INTERNATIONAL SUPPORT

3.26 EDUCATION AND CULTURE

CURRENT SITUATION

LEGAL FRAMEWORK

Primary Education

During 2007, bylaws deriving from the Law Amending the Law on Primary Education (Official Gazette of the Republic of Macedonia No. 63/04) were adopted, as provided for in NPAA 2007.

Several reform processes in the primary education were completed by December 2007:

- the Concept of Nine-year Primary Education and Rearing was adopted (quantitative and qualitative analysis conducted); The Law Amending the Law on Primary Education (Official Gazette of the Republic of Macedonia No. 51/07) was adopted, which provided a legal framework for the onset of the nine-year primary education in the academic year 2007/08.

The Bureau for Development of Education adopted:

- new curricula for grades one, two and three of nine-year primary schools;
- innovated curricula for grade one of eight-year primary schools;
- innovated curricula for children with special educational needs at primary schools.

Training courses aiming at successful implementation of the new curricula were organised by BDE for teachers, based on the principle of regional seminars, which included more than 3,000 teachers. Manuals dealing with the implementation of the teaching process in accordance with the new curricula for grade one were prepared for the teachers, as well as a manual for the English language teaching process in grade one which was prepared by experts from the British Council in the Republic of Macedonia, advisors and teachers who practice teaching. Underway is the implementation of seminars related to the descriptive assessment of students, for all teachers who practice teaching at grade one (3,000 teachers) of eight-year and nine-year primary schools.

Secondary Education

"The Rulebook on the manner of verification of a secondary school, form and contents of the register" (Official Gazette of the Republic of Macedonia No. 81/07), deriving from the Law Amending the Law on Secondary Education (Official Gazette of the Republic of Macedonia No 67.04) was adopted.

Also the new "Rulebook on the manner of taking and assessing student's results at the state matriculation exams for regular and vocational secondary education" was adopted (published in the Official Gazette of the Republic of Macedonia No. 140/07), which derives from the Law Amending the Law on Secondary Education (Official Gazette of the Republic of Macedonia No. 67.04) The Law Amending the Law on Secondary Education was adopted, whereby compulsory secondary education was introduced starting with the academic year 2008/2009.

In this period, additional equipment is being purchased (desks, chairs, etc.) at all secondary schools (the value of the procurement, together with the primary schools, amounts to EUR 2,700,000.00). The funds were provided by the Government of the Republic of Macedonia.

For the first time in the Republic of Macedonia, within the Bureau for Development of Education (in accordance with the Law on the Bureau for Development of Education), a special Sector for Professional Development of the Educational and Rearing Staff (teaching staff, professional services, principals) was established this year. This sector of the BDE shall perform the accreditation of programmes, which shall, in the coming two years, be funded by the "Modernisation of Education" Project. A strategy is being developed regarding how the government, local authorities and schools shall take over funding of training courses in the future.

Vocational Education and Training

Pursuant to the Law on Vocational Education and Training, the Government of the Republic of Macedonia has established a Council for Vocational Education and Training, as the supreme advisory body within which strategic policies shall be developed regarding vocational education and training. Members participating in the Council shall be representatives of the administrative bodies, social partners (employers and trade union), the Association of the Units of the Local Self-government and the Employment Agency.

Adult Education

The Law on Adult Education (Official Gazette of the Republic of Macedonia No. 7/08) was drafted in 2007 and submitted to the parliamentary procedure. The provisions of the Law on Adult Education incorporate the following EU measure: Council Decision of 27 June 2002 on Lifelong Learning, 2002G0709(01).

The Law on Adult Education provides a legal framework for regulation of adult education, which institutes and institutions can practice this type of education, kinds and forms of adult education, establishment of a special institution responsible for developing adult education development policies, as well as establishment of a special expert body to include the representatives of all entities with interest in adult education and to define and propose strategic priorities in this type of education.

Decentralisation of Education

The second stage of fiscal decentralisation in the primary and secondary education started in September. Out of the total of 84 municipalities and the City of Skopje, 51 municipalities have met the criteria for starting with the second stage. In September 2007, these 51 municipalities also started paying out the school employee's salaries (by means of block subsidies). The municipalities have adopted procedures for allocation of funds of the municipalities and the City of Skopje which are paid in two ways – restricted subsidies and earmarked subventions, respectively – by strengthening their own staff capacities and in cooperation with the central government.

Higher education

In 2007, two state higher education institutions were established – the University of "Goce Delcev" in Stip, in accordance with a laws on establishing. (Official Gazette of the Republic of Macedonia No. 40/07), and the Faculty on Administration and Information Systems Management, within the University of "St. Clement of Ohrid" in Bitola, in accordance with a law on establishment (Official Gazette of the Republic of Macedonia No. 51/07) and both of them commenced operations.

With respect to recognition of foreign higher education qualifications, the Law Amending the Law on Higher Education was adopted in April 2007 (Official Gazette of the Republic of Macedonia No. 51/2007), which provided a simplified procedure and shortening of the time required for recognition of foreign higher education qualifications.

For the purpose of practical application of the provisions of the Law, the Rulebook on the manner and procedure of determining equivalence and recognition of foreign higher education qualifications and the required documents (Official Gazette of the Republic of Macedonia No. 65/07) was adopted.

The Draft Law on Higher Education was prepared in 2007, as the second stage of adoption of this Law. The Law is currently undergoing parliamentary procedure.

Community Programmes

In relation to "Youth in Action" and "Life-long Learning" Programmes, the National Agency for European education programmes and mobility has been established. The National Agency constitutes an administrative prerequisite for the utilisation of these two community programmes. It was established on the basis of a special law (Official Gazette of the Republic of Macedonia, No. 113/07).

The Management Board of the National Agency was elected and its Director was appointed.

Youth

The "Law on Voluntary Work" was adopted and harmonised with Article 11 of Directive 32004L0114, and also the bylaws deriving from the "Law on Voluntary Work", have been adopted.

Implementation of the National Youth Strategy – Action Plan

The "Campaign for Stimulating the Implementation of the National Youth Strategy" has been completed, the goal of which was to interest competent institutions at local and national level to prioritize the needs of the youth to become involved in the implementation of the National Youth Strategy of the Republic of Macedonia and in the planning and implementation of their own activities.

A programme was developed for drafting the Action Plan for National Youth Strategy Implementation.

SHORT-TERM PRIORITIES

(primary, secondary, vocational education and training and adult education)

LEGAL FRAMEWORK

The strategic determination for reform of the education will result in adoption of the Law on Primary Education and the Law on Secondary Education, in which way the concept of introducing nine - year education and mandatory secondary education will be fully implemented.

1. Organising the examinations for external assessment of students in secondary education: state matriculation exam, school matriculation exam and final exam.

2. Implementation of reforms in the field of vocational education and training adapted to the state of the labor market

In the upcoming period the following activities are going to be realized by the Vocational training center:

- preparation of the Concept of vocational qualification
- preparation of Concept of vocational education for occupation
- preparation of Concept of post secondary and life long learning education in collaboration with the social partners
- preparation of new and innovated curricula of the 4-th year of technical education for the educational profiles
- preparation of modular packages
- creating of a methodology for preparation of standards for professional qualifications for occupation
- preparation of standards for professional qualification
- preparation of curricula for the educational profiles for vocational qualification and vocational education for occupation
- delivering training for the counselors from VET in the field of preparation of standards for professional qualifications as well as training on implementing the life - long learning concept that will be delivered by domestic and foreign experts. The trained counselors will disseminate the gained knowledge to the teachers also through training.
- preparation of a document on vocational improvement of teachers

The following bylaws deriving from the Law on Vocational Education and Training shall be adopted:

- Rulebook on the form, contents and manner of keeping the Register of occupational standards
- Decision on establishment of the National Council for Vocational Education and Training
- Rulebook on the norms for the equipping and the premises for conducting practical training for students
- Rulebook on the norms on the standards applicable for the professional staff for conducting the practical training of students
- Rulebook on the form, contents and procedure of signing the agreement for practical training of the students
- Rulebook on craftsman's examination programme
- Rulebook on examination programmes for professional qualifications for craftsmanship
- Concept and Rulebook on the structure, organisation and realisation of the examinations at the end of each type of vocational education and training
- Rulebook on the form, contents and the procedure of issuing the diplomas and certificates for vocational education and training
- Rulebook on the norms on the staff at the post secondary education and training
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5. Adoption of bylaws deriving from the Law on Adult Education:

- Decision on Establishment of an Adult Education Centre
- Rulebook on the content, the form and the procedure for signing the agreement for inclusion in the the adult education process
- Rulebook on the norms related to the standards for equipment and premises requirements applicable for the providers of the adult education
- Rulebook on the form, content and the manner of keeping the central register and municipal register of institutes and institutions implementing publicly recognised programmes
- Rulebook on the name, contents and form of the certificates
- Rulebook on the contents and form of the documentation and records concerning the adult education

INSTITUTIONAL FRAMEWORK

1. Distribution of computers as a further stage in the implementation of "A Computer for Every Pupil" Project, by April 2008 at secondary schools, and by the end of 2008 at primary schools. The computers shall not only be used at information science classes, but for all subjects.

2. Improvement of working conditions at the primary and secondary schools through the "Sanitary Facilities Rehabilitation" Project, whereby the health and hygienic conditions will be improved at schools in the Republic of Macedonia.

3. Establishment of a EURYDICE Unit as part of the Ministry of Education and Science. The Unit shall commence operations in the middle of 2008 and it shall mean employment of new staff as well. The Unit shall be in charge of the cooperation with the European Office of EURYDICE.

4. Establishment of an Adult Education Centre, as an institution integrating the interests of all parties involved in the adult education – employers, users of such services, administrative bodies, institutions, private sector and others, along with strengthening the staff of the Centre.

5. Organising training courses, campaigns within adult education, in order to raise the level of education among the population

6. Capacity strengthening at the State Educational Inspectorate by employing new staff

7. Aiming at the improvement of conditions and quality of education in the Republic of Macedonia, currently proceeding is a gymnasia construction project, amounting to the total of about EUR 53 million and consisting of budget funds and CEB Loan funds. It shall include construction of 145 school gyms at the primary and secondary schools.

The Project is divided into two sub-projects:

- construction of 115 gymnasia at the primary schools - The funds shall be fully provided from the Budget of the Republic of Macedonia;
- construction of 30 gymnasia at the secondary schools.. The funds for implementation of this Project shall be provided from a CEB Loan (90%) and Budget funds (10%). Supplying the equipment necessary for the gymnasia shall also be part of the project

8. In January, following the completion of USAID two-year commitment for providing internet, the Ministry of Education and Science shall issue a tender for internet connection bidder for the primary and secondary schools.

9. Strengthening of the staff at the Sector for EU within the MES.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

1. Adoption of bylaws arising from the new Law on Primary Education
2. Adoption of bylaws arising from the new Law on Secondary Education
3. Continuation of activities of the Commission working on drafting the National Framework of Qualifications, in order for a coherent system of qualifications to be established

INSTITUTIONAL FRAMEWORK

Medium-term priorities

1. Staff strengthening at the Sector for EU within the MES
2. Staff strengthening at the Adult Education Centre
3. Establishment and staffing of the State Examination Centre, which competences shall include preparation and carrying out of the state matriculation exams, as well as implementation of the external assessment of student's knowledge at primary and secondary schools.
4. Staffing of the Centre for Vocational Education and Training

HIGHER EDUCATION

SHORT-TERM PRIORITIES

1. Adoption of the "Law on Higher Education", as the second stage of adoption of this Law. The Law is currently undergoing parliamentary procedure.

The draft "Law on Higher Education" shall mean specific normative implementation of the principles contained in the Bologna declaration, especially with regard to: adoption of a system of easily recognizable and comparable levels of education, introduction of triple cycle study programmes; assessment of study programmes by means of credit points, such as ECTS; introduction of modules, courses and study programmes with European contents and orientation and study programmes for common degrees; providing mechanisms for strengthening the employability of the graduate students at the European labour force market, such as lifelong learning; upgrading of the established quality assurance system, by including representatives of students, employers, and social partners, incorporating an international dimension in the evaluation processes through the participation of foreign experts and associations in the evaluation, accession to European Network for Quality Assurance - ENQA, as well as harmonisation with the Standards and Guidelines for Quality Assurance within the European Higher Education Area; creating normative and legal presumptions for a new organisational structure of the state universities and their transformation into integrated universities, with establishing functional and organisational links among the faculties within their composition.

2. Adoption of bylaws arising from the new "Law on Higher Education"

3. The universities shall start issuing a diploma supplement free of charge. The funds planned for this purpose in the 2007 Budget amount to 2 million denars.

MEDIUM-TERM PRIORITIES

1. Further implementation of the Bologna Process
2. Constantly attracting foreign investments for the purpose of opening higher education institutions by prominent foreign universities.

3.26.1 COMMUNITY PROGRAMMES

SHORT-TERM PRIORITIES

Finishing the preparations for Life long learning

1. Adoption of the special acts relating to the operations of the National Agency for European Education Programmes and Mobility
 - the Statute of the NA
 - Act on systematization for the NA for European education programmes and mobility
 - Working Programme of the NA that will be consisted of two sub-programmes
 - Life Long learning -
 - Youth in action –
2. Signing the Memorandum of Understanding for "Youth in Action" and "Lifelong Learning" Programmes. Signing of the Memorandum of Understanding and paying for the entry ticket by the Government of the Republic of Macedonia shall enable full participation in and utilisation of these two programmes.
3. Signing of the Memorandum of Understanding for participation in the Europe for Citizens Programme and paying for the entry ticket
4. Staff strengthening of the National Agency for European education programmes and mobility
5. Training of employees
6. Technical equipping and providing space for the NA

MEDIUM-TERM PRIORITIES

1. Staffing of the National Agency for European education programmes and mobility
2. Transfer of coordination of CEEPUS from the Ministry of Education and Science to the National Agency for European education programmes and mobility.
3. Transfer of the coordination of ERASMUS and ERASMUS MUNDUS from the Ministry of Education and Science to the National Agency for European education programmes and mobility.

YOUTH

SHORT-TERM PRIORITIES

1. Designing LYS – Designing Local Youth Strategies in five large municipalities in the Republic of Macedonia.
2. Developing an Action Plan for National Youth Strategy Implementation, adoption and publishing of AP 2009 and its presentation to the public
3. Establishment of a Special Commission for Youth, within the Assembly of the Republic of Macedonia

MEDIUM-TERM PRIORITIES

1. National Youth Strategy Implementation
 - National Youth Strategy Implementation based on the proposals defined in the Action Plan 2009 for every single youth issue
 - Inclusion of AP 2009 in the municipality's local plans
 - Designing an annual program for implementation of the measures foreseen at the local level.
2. Designing LYS – Designing Local Youth Strategies in five more large municipalities in the Republic of Macedonia.
3. Elaboration of a strategy for employment of young people, to include the following activities:
 - development of a working programme for implementation, with detailed project components.
 - preparation of budget for the strategy development and implementation.
 - development of evaluation and monitoring systems.
 - defining normative documents in the sphere of youth policy, Youth non-governmental organisations and local youth policies.

FOREIGN ASSISTANCE

The "Lifelong Learning" – Project of CARDS Programme, focused on the implementation of the recommendations contained in the Adult Education Programme in the Republic of Macedonia in the context of lifelong learning.

The Project is a medium-term one, while the funds intended for its implementation amount to EUR 1,300,000

3.26.2 CULTURE

CURRENT SITUATION

LEGAL FRAMEWORK

The Law Amending the Law on Protection of the Cultural Heritage (Official Gazette of the Republic of Macedonia No. 115/07), adopted on 17 September 2007 is fully harmonised with Regulation (EEC) No. 3911/92, regarding the export of cultural goods (31192R3911), Directive 93/7/EEC on the return of cultural objects unlawfully removed from the territory of a member state (31993L007). Directive 96/100/EC of the European Parliament and of the Council of 17 February 1997 Amending the Annex to the Directive 93/7/EEC (31996L0100),

Partial harmonisation has been achieved with the Commission Regulation of 30 March 1993 (EEC) of the Council on the export of cultural objects, in terms of establishing the provisions for implementation of Regulation No. 3911/2 (31992R752), Directive of the European Parliament and of the Council of 2001/38/E3 of 5 June 2001 Amending Directive (3200L0038).

Full harmonisation shall be reached with the adoption of the Rulebook on the form and contents of the form of permits and certificates and on the manner of issuing the permits and certificates.

With the adoption of the Law on Ratification of the Convention on Protection and Promotion of Diversity of Cultural Expression (Official Gazette of the Republic of Macedonia No. 47/07), the Republic of Macedonia clearly emphasizes its determination to pursue a modern approach in the protection and promotion of cultural expressions, as well as in providing conditions for international cooperation in the sphere of culture.

INSTITUTIONAL FRAMEWORK

Out of the 30 workplaces foreseen at the National Institution Tetovo Theatre – Tetovo, all the employments have taken place, plus another Manager's position, 31 in total.

From 26 to 28 October 2007, the World Conference on Dialog among Religions and Civilisations was held successfully in Ohrid, with the topic: "Contribution of the religion and the culture to the common respect and cohabitation". The Conference took place as part of the OUN and UNESCO Decades: "Decade for Dialog among the Civilisations" and "Decade of Peace Culture", respectively. The Conference was organised by the Ministry of Culture, in cooperation with the Commission for Relations with the Religious Communities of the Republic of Macedonia. The conference was supported financially by the Government of the Republic of Macedonia, as well as UNESCO and the Skopje based non-governmental organisation of Macedonian Centre for International Cooperation – MCMS. A Declaration was adopted by all the religious representatives and intellectuals at the Conference, together with the establishment of an International Committee for Organisation of the Subsequent Conference which is to be held in 2010, in Ohrid again.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

1. Adoption of a Rulebook on storing, processing and manner of documenting the cultural heritage.
2. Adoption of a National Strategy for Development of Creative Industries

INSTITUTIONAL FRAMEWORK

1. Creating an appropriate cultural heritage information system, which will provide establishment of a relevant data base, central IT based connection of public entities dealing with cultural heritage protection and publicly accessible and accurate information on the cultural heritage.

2. The Ministry of Culture, during 2008, envisages training for the staff in the culture sector of the Republic of Macedonia, with respect to raising funds from European and world foundations. It has been foreseen for the training to be implemented in cooperation with highly distinguished European institutions specialised in fund raising, and by a team of experts from our country and abroad. The anticipated training coverage is 150 persons from the culture sector

3. On 5 and 6 April, the Ministry of Culture shall, in cooperation with the civil sector, organise the "Forum Skopje – 2008", Project debate at the highest governmental level, with representatives of the European Parliament, Stability Pact of Europe, International European Movement and the highest government structures from the Republic of Macedonia, with an aim of strengthening our country's cultural influence in the region and Europe.

COMMUNITY PROGRAMMES

CULTURE (2007 – 2013)

In order to realize the participation of the Republic of Macedonia in the Community Programmes in this field, following the Ministry of Culture's sending the Letter of Interest for participation in the Culture (2007-2013) Programme of the European Commission and

after the appointment of a contact person (culture contact point), in charge of managing the process of negotiations related to the signing of the Memorandum of Understanding and the Programme implementation in the Republic of Macedonia, in September 2007, the European Commission submitted to the Ministry of Culture the Draft Memorandum of Understanding, which provides for the Programme to enter into force as of 1 January 2008, upon its signing by the Government of the Republic of Macedonia and the European Commission. On 17 September, the Ministry of Culture organised an Info-day for Programme presentation and working sessions for project application within the Culture 2007-2013 Programme, together with the contact-point of the Programme from the Republic of Hungary.

From 28 November to 4 December, a training course was organised for the Culture contact point from the Republic of Macedonia at the Culture contact point offices in Hungary (Budapest) and Croatia (Zagreb), the purpose of which was organizing a Culture contact point office in the Republic of Macedonia, as a precondition for the Culture 2007-2013 Programme implementation in 2008. On 12 December 2007, the European Commission adopted the final text for the Memorandum of Understanding, which was submitted to the Ministry of Culture on 17 December 2007, through diplomatic channels. The Ministry of Culture, in cooperation with the relevant institutions, made all the preparations for adoption of the Memorandum of Understanding by the Government of the Republic of Macedonia, which is to take place in the shortest time possible, followed only by the act of its signing by the Government of the Republic of Macedonia and the European Commission, and entering into force.

At the very beginning of 2008, the Ministry of Culture, as the holder of the Programme, undertook to assume all the obligations foreseen by the European Commission, in accordance with the Programme development schedule and for successful presentation and implementation.

SHORT-TERM PRIORITIES

1. Signing the Memorandum of Understanding for participation in Culture (2007-2013)
2. Establishment of a Culture contact point office for the Culture (2007-2013) Programme in the Republic of Macedonia
3. Implementation of the Office's programme of operations, provided for by the European Commission
The programme of operations includes the following activities:
 - designing the Culture contact point office's web-site and its maintaining
 - development and maintenance of a data base of culture operators in the Republic of Macedonia and their networking with European operators
 - training for the staff at the Culture contact point office, to include seminars in the Republic of Macedonia, where the Programme and the manner of filling-out project application forms shall be presented.
 - Programme promotion through publishing flyers, information leaflets, etc.
 - media campaign related to the Programme
 - participation at the regular meetings of the Culture contact points, to be held in Ljubljana and Avignon
 - participation at the Info-day in Brussels of culture operators from the Republic of Macedonia

MEDIA (2007- 2013)

SHORT-TERM PRIORITIES

1. Activities pertaining to the participation of the Republic of Macedonia at Media (2007-2013) – The Ministry of Culture continues the communication with the Directorate General of the Information Society and Media in relation to the participation of the Republic of Macedonia in the MEDIA 2007 Programme of the European Community.

FOREIGN ASSISTANCE

"Creative Industries Mapping" Project

As part of the "Creative Industries Mapping" Project, which the Ministry of Culture is implementing in partnership with the British Council, and for the implementation of which a coordinative body has been established, a Draft National Strategy has been developed in relation to the development of Creative industries, which is undergoing inter-ministerial consultations. The research portion and the issuing of publications containing research results shall continue during 2008, as well.

Pilot Project for Culture and Education

The Pilot Project for Culture and Education of the Italian Government in cooperation with the International Management Group, that has an office in Skopje, is underway and its activities run continually: interior and exterior rehabilitation of the Museum of Modern Arts in Skopje (this part of the Project was completed at the end of October 2007), assistance in the protection and valorisation of and training with regard to archaeological sites Skupi, Heraclea and Stobi, which shall last until May 2008, support to the decentralisation process, which shall also last until May 2008.

Within the Project, funded by the Government of the Republic of Italy and implemented through IMG, named "Pilot Activities in Education and Culture", at the end of November 2007, the implementation of providing the best architectural solution for defining the cultural route (path) to connect the museums in Skopje, which actually begins at the Museum of the City of Skopje, through the "Macedonia" Square, the Stonebridge, the Old Bazaar and the area of Kale Fortress, where the Museum of Macedonia (the complex of Museums of History, Archaeology and Ethnology) and the Museum of Modern Arts are located. The Project shall advance the development of cultural tourism, the promotion of and education about the cultural heritage. The Project is to be implemented during 2008.

"Cultural Heritage of Macedonia" Project

In 2007, UNESCO granted a donation amounting to EUR 50,000 for printing 4 publications within the "Cultural Heritage of Macedonia" Project, as follows: Macedonian Churches, Ottoman Monuments, Cultural Heritage of Ohrid and Archaeological Sites. Holder of the Project is the Directorate for Protection of Cultural Heritage within the Ministry of Culture and the project is within the frames of the regional project Regional Bureau of UNESCO – BRESCE for Advancement and Promotion of Cultural Tourism. The funds have been allocated from the newly established Trust Fund which, from the financial point of view, receives full support of the Italian Government. The Project's implementation has started and its completion is expected to take place in the first half of 2008.

Project – Establishment of a Regional Centre for Digitalisation of Cultural Heritage of the Southeast European Countries
Early in May 2007, the implementation started our country's initiative for establishment of a UNESCO Regional Centre for Digitalisation of Cultural Heritage of the Southeast European Countries in Macedonia, which was preceded by a significant amount of activities and lobbying on our part within UNESCO.. Spatial arrangement of the future Regional Centre, which will be located inside the Museum of Modern Arts were completed. The spatial arrangement is performed by IMG – International Management Centre – mission of the Italian Government in Skopje. The area was completed on 31 October, 2007. In the course of July 2007, the implementation of the second stage started, i.e. supply of the equipment required in the amount of EUR 330,000, provided by UNESCO. It has been foreseen for the equipment to be supplied from Italy by the Regional Bureau and to be brought to Skopje in February 2008. It will be installed by UNESCO experts who will work for 8 months after the Centre's commencement into operation. After the equipment is installed, the UNESCO experts and the specialised Italian company "Minerva" shall conduct a training course for our institutions and staff, involved in the future operations of the Centre.

Project – Implementation of the Regional Programme for the Natural and Cultural Heritage of SEE

The implementation of the Regional Programme for the Natural and Cultural Heritage of SEE which started in 2003, has continued during 2007, as a joint action of the Council of Europe and the European Commission, and as part of which numerous activities had been undertaken in the past few years, in accordance with the schedule foreseen. Holder of the Project is the Ministry of Culture of the Republic of Macedonia, while it is being implemented in cooperation with the Directorate for Protection of Cultural Heritage, as the coordinator of components B (Joint Rehabilitation Plan for Architectural and Archaeological Heritage of SEE) and C (Local Development), and through the contribution of other institutions responsible for the protection of cultural heritage.

Within the implementation of Component B, completed in 2007 were 3 feasibility studies related to monuments of culture from the Preliminary List of Monuments of the Council of Europe (PIL), while by the end of November 2007 also completed was the 4th feasibility study. Already prepared is a project related to the Cultural Corridor, the Road of Ecclesiastical Woodcarvings, which has been submitted to the Council of Europe, as well. Translated and printed are 3 publications of the Council of Europe. PLAG activities have been implemented; all 17 monuments proposed by the Council of Europe PIL have been marked with signs of the Project and the Council of Europe.

At the beginning of 2008, presentation and promotion of projects in the Republic of Macedonia has been foreseen for the members of diplomatic representative offices in the Republic of Macedonia, in coordination with the Council of Europe Office in Skopje. A media promotion of the Programme – project has been foreseen to take place during 2008 – publishing of all materials in the Macedonian and English language, training courses for certain skills and workshops with the participation of foreign experts. Preparations for the implementation of Component C (Local Development) started in 2007, based on further cooperation of the Ministry of Culture with the Directorate for Protection of Cultural Heritage, National Conservation Centre and other institutions responsible for the protection of cultural heritage, the local self-government (municipalities of Debar, Mavrovo and Rostusa), the non-governmental sector. Prepared and promoted was the pilot project Debar and Reka. A brochure was designed for the pilot project in the Macedonian and English language. Activities for implementation of the pilot project in 2008 were agreed upon.

The Project shall be launched in 2008; several teams shall be established with experts of various profiles (cultural heritage, natural heritage, environment, business sector, NGO, etc.), who will work on certain activities, with participation of foreign experts.

Macedonian-French project: Valorisation of the Cultural Heritage of the Republic of Macedonia

Renewed for the third time on 17 December 2007, the Administrative Agreement between the Ministry of Culture of the Republic of Macedonia and the Ministry of Culture and Communications of the Republic of France is part of a multi-annual project which commenced in 1999 - Valorisation of the Cultural Heritage of the Republic of Macedonia. Following the pattern to date, the Project shall be implemented in cooperation with other partners, such as: the Cities of Skopje, Bitola, Veles etc., the Faculty of Architecture, institutions for protection of cultural heritage in the Republic of Macedonia, such as the Institute for Protection of Cultural Monuments of the City of Skopje and from France (Embassy of France in the Republic of Macedonia, French Cultural Centre, Ministry of Culture – DAPA, National Association of Cities and Regions of Art and History and Cities from the Protected Zone, Via Patrimony Association for Valorisation of the Cultural Heritage of the City of Angoulême and the District of Angoumua, etc.

According to the Agreement, the following activities have been foreseen to be implemented from 2008 to 2010:

- participation in the considerations related to the Old Skopje Bazaar revitalisation
- participation in the development of a cultural heritage related urban plan
- training courses (with the focus on those concerning crafts related to the cultural heritage restoration and valorisation)
- knowledge/considerations about crafts and skills and their revitalisation
- studies
- preparation and presentation of publication and exhibitions
- signage
- exchange of experts from governmental and public institutions or with private individuals who cooperate with the cities' assemblies
- participation in seminars and regional meetings organised in cooperation with the National Association of Cities and Regions of Art and History in Protected Zones
- cooperation between the Faculty of Architecture in Skopje and the French Schools/Faculties of Architecture
- Exchange between the two associations of cities: ANVPAH & VSSP and the Macedonian Association of the Cities of History.

Project – European Digital Network of Cultural Heritage, HEREIN Project of the Council of Europe, where the Ministry of Culture and the NI Museum of Macedonia are the Project Coordinators

The European Network of Cultural Heritage, as a project for cultural cooperation, is a permanent information system in which the Council of Europe unites the bodies dealing with the protection of cultural heritage.

Implementation of the following activities has been foreseen:

- Updating of the National report on Cultural Heritage of HEREIN
- Organizing a workshop for preparations aiming at Thesaurus development
- Development of a multilingual Thesaurus and Terminology Glossary

3.27 ENVIRONMENT

3.27.1 HORIZONTAL LEGISLATION

CURRENT SITUATION

LEGAL FRAMEWORK

On 1 March 2001, the Law Amending the Law on Environment (Official Gazette of the Republic of Macedonia No. 24/2007) was adopted, enabling improvement and extension of the legal basis for the adoption of bylaws. The amendments to the Law introduced sanctions against officials. In addition to this, the amendments to the Law regulate the manner, type and procedure of passing fines directly by the State Environmental Inspectorate, harmonised with the Law on Misdemeanours (Official Gazette of the Republic of Macedonia No. 62/06). Novelty in the Law on Environment, and in line with the recommendations on judicial system reforms, is the establishment of the Misdemeanour Commission and the Mediation Commission, as well as stipulation of the procedure for settlement and mediation, enabling consent to be reached by mutual agreement. This approach enables avoidance of conducting misdemeanour procedures and more accelerated and efficient elimination of the consequences. The levels of fines have been also increased to have positive effect on raising the public awareness in terms of adhering to the law.

On the basis of the Law on Environment, which regulates the procedure for strategic environmental assessment (SEA) of certain strategies, plans and programmes, the following bylaws have been adopted by which full transposition of Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment has been achieved: Decree on strategies, plans and programmes, including modifications of such strategies, plans and programmes that shall require compulsory performance of the procedure for assessment of their impact on the environment and on human life and health (Official Gazette of the Republic of Macedonia No. 153/07); Decree on criteria by which decisions on whether certain planning documents could have significant impact on the environment and on human health shall be made (Official Gazette of the Republic of Macedonia No.144/07) and Decree on the contents of the strategic environmental assessment report (Official Gazette of the Republic of Macedonia No.153/07).

In addition to the above, the Rulebook on the manner and procedure of providing access to environmental information (Official Gazette of the Republic of Macedonia No. 93/2007) has been adopted, as well as and the Rulebook on the contents, format and manner of adoption of the Plan for inspection supervision (Official Gazette of the Republic of Macedonia No. 128/07) that provides compulsory annual planning of inspection supervision by state and authorised environmental inspectors.

In November 2007, in the Ministry for Environment and Physical Planning (MEPP), the Progress monitoring in the area of environment 2007/2008 was initiated for the second time for the purpose of monitoring the progress made in the process of approximation of the national legislation with the EU law.

CIVIL PROTECTION

In the course of 2007, work was done on amendments to the Law on Protection and Rescue (Official Gazette of the Republic of Macedonia No's. 36/04 and 49/04). In addition to this, the Law Amending the Law on Fire Prevention (Official Gazette of the Republic of Macedonia No. 81/07) was adopted, as well as and the National Assessment of Threats from Natural Disasters and Other Accidents (Official Gazette of the Republic of Macedonia No. 117/07) as strategic document that establishes the basis for elaboration of protection and rescue plans depending on the risk and hazard associated with each specified area in the country.

INSTITUTIONAL FRAMEWORK

MEPP is the competent state body with regard to the creation and implementation of environmental policies and improvement of the quality and the state of environmental media and areas. At present, the MEPP, including its constituent bodies – Directorate for Environment (MEPP_DE) and State Environmental Inspectorate (MEPP_SEI) has 111 civil servants and 33 persons engaged on definite period of time basis. At the beginning of 2008, the procedure for employment of additional 26 new civil servants is expected to be completed, as well as the transfer of 20 persons from the General Secretariat of the Government of the Republic of Macedonia aimed at proportional representation of the communities.

In the course of 2007, the Directorate for Environment was established within the MEPP as its constituent body and within this Directorate, the Sector for Environment was established with a separate Unit for Environmental Impact Assessment responsible for conducting the environmental impact assessment procedure. A separate Sector for Public Relations was established within the MEPP. The Sector for Sustainable Development and Investment is responsible for carrying out of the strategic environmental assessment procedure, thus enabling the integration of the environmental policy into other sector policies and continuous cooperation with other state administration bodies and partners in the process. The number of civil servants in the MEPP_SEI was increased to reach 16 at this moment. By means of a Decision issued by the Minister, five State Environmental Inspectors also perform the tasks of State Inspectors for Nature Protection.

According to the Law on Environment, the MEPP, via its Sector Macedonian Environmental Information Centre is responsible for collection and dissemination of official environmental data in the Republic of Macedonia. With regard to data reporting to the European Environment Agency, the MEPP has been ranked on the 15th position out of 38 countries, noting progress in data reporting of 9 % in 2007, i.e. the MEPP reports 78 % of the total data required by the European Environment Agency. At the same time, the MEPP takes active part in the working groups of the European Environment Agency.

Within the assessment of capacities of the local self-government units (LSGUs), MEPP found that LSGUs employ total of 111 civil servants who implement environmental laws and that additional 143 civil servants are needed. The number of municipalities with appointed authorised environmental inspectors is 24, and additional 56 inspectors are needed. The mentioned assessment also led to a conclusion that significant number of communal inspectors performs activities related to the implementation of the Law on Waste Management, which means that the number of civil servants engaged in the area of environment is higher. It can be concluded that 90 % of the municipalities in the Republic of Macedonia have each designated one or more civil servants to deal with environmental management, primarily as responsible persons for implementation of B integrated environmental permitting, waste management and protection against noise.

In April 2007, the Misdemeanour Commission and the Mediation Commission were established within the MEPP, with the responsibility to run misdemeanour and mediation procedures respectively.

CIVIL PROTECTION

The Directorate for Protection and Rescue (DPR) is the responsible body in the area of protection and rescue, which is an independent body of the state administration operational from 16 May 2005 with 242 employees at present. With regard to its work, DPR reports to the Government of the Republic of Macedonia. Under the new Rulebook on the systematisation and organisation of job positions in DPR of 29 November 2007, the two existing sectors were transformed into four with 12 units, as follows: Sector for Common Affairs, Sector for Analysis and Investigation, Sector for Operational Activities and Logistics, and Sector for Planning, Organisation and Implementation of Protection and Rescue Measures and Training. In addition, three separate units were established, namely: for inspection, for internal audit and for human resources, while the existing 35 regional organisational units covering the territory of the whole country have been transformed into regional units under the competence of the Sector for Operational Activity and Logistics. The above reorganisation has been made for the purpose of improved organisation and performance of the DPR through improved operational performance of the system for protection and rescue in the country. The inspection supervision is done by DPR through the Unit for inspection which has 42 employed inspectors for protection and rescue.

The Republic of Macedonia signed the Agreement on the Council for Civil and Military Cooperation in Case of Disaster for SEE countries and is a full member of the Council and of the Interim Secretariat of CMEP (Civil Military Emergency Planning) and the Memorandum of Understanding on the institutional framework of the DPPI (Disaster Preparedness and Prevention Initiative) for SEE countries, resulting from the Third Roundtable under the Stability Pact.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

For 2008, development and adoption of bylaws in the domain of public participation in the adoption of environmental planning documents, based on the Law on Environment that transposes the Directive 2003/35/EC of the European Parliament and of the Council of 26 May 2003 providing for public participation in respect of the drawing up of certain plans and programmes relating to the environment and amending with regard to public participation and access to justice Council Directives 85/337/EEC and 96/61/EC is planned.

In addition to the above, initiation of the drafting of the bylaws to regulate liability for environmental damage, deriving from the Law on Environment, has been envisaged for 2008.

Relevant bylaws will also be adopted to define the form and contents of environmental detailed study, to specify the operations and activities for which such detailed study is drafted and the manner and procedure of their approval, as well as to regulate the manner of keeping the Register of Approved Detailed Studies. Also, the operations and activities for which the drafting of detailed study is compulsory, and for whose approval the MEPP i.e. municipality Mayor, Mayor of the City of Skopje and the Mayor of the municipality in the City of Skopje is in charge will be determined. Bylaws will be adopted to regulate the types and levels of costs related to the performance of environmental impact assessment procedure for project, to be covered by the investor and to regulate the manner and the procedure of public notification on data on projects for which environmental impact assessment is not required.

In July 2008 is expected to be finalised the process of conducting the Progress Monitoring in the area of environment 2007/2008 concerning the monitoring of the progress made in the approximation of the national legislation with the EU law that involves 64 Directives for which tables of concordance and implementation questionnaires are filled in.

The adoption of the National Strategy for Sustainable Development and the National Strategy for Environmental Investments has been scheduled in 2008.

The National Strategy for Environmental Approximation involving sectoral studies in individual areas, which indicates the resources required for legal transposition of the EU law, its implementation and the resources required for supervision and monitoring is in the final stage of development and its adoption will take place in the course of 2008. Sectoral studies include detailed plan regarding the remained activities necessary for the approximation of the national legislation with the EU law. In the frameworks of this Strategy, the costs related to the implementation of directives have been estimated and financial plans have been made. According to estimates made in the said Strategy, the segment of environmental investments requires the biggest portion of financial resources, regardless of whether from national or donor sources or from international financial institutions. In the Strategy, with regard to individual areas, estimates have been made on the training required for implementation of the legislation to be realised in the forthcoming period.

The adoption of the Annual Programme for Investments in Environment for 2008 and the announcement of the competition for allocation of funds to finance certain activities of environmental protection will take place at the beginning of 2008. The level of resources allocated for the Programme for Investments in Environment for 2008 is MKD 152,000,000, as increased by 60% compared to the Programme for 2007 (MKD 90,000,000).

A Study on the assessment of the situation with asbestos in public pre-school institutions in the Republic of Macedonia will be carried out. In this period, the development of the Local Environmental Action Plans will be completed for seven municipalities (Saraj, Rankovce, Kratovo, Kisela Voda, Vasilevo, Makedonski Brod and Aerodrom), funded by the Programme for Investments in Environment for 2007, and development of new plans for other municipalities will be supported.

CIVIL PROTECTION

In this period, the Law on Protection and Rescue will be amended in order to be harmonized with the provisions of the Law on Crisis Management and the Law on Misdemeanours, as well as to improve the current provisions for the purpose of promoting the efficiency and the effectiveness of the protection and rescue system.

The National Strategy for Protection and Rescue will be adopted in 2008. It is being developed and will enable the designing, upgrading and development of the protection and rescue system. In addition to this, the National Plan for Protection and Rescue will be adopted, by which the required framework will be completed, together with the previously adopted National Assessment of Threats, in the context of undertaking operational and preventive measures in the domains of protection and rescue.

In this period, bylaws to derive from amendments to the Law on Protection and Rescue and Rules of Procedure of the Misdemeanour Commission will be adopted. In the segment of regional cooperation in receiving and delivering assistance in case of disasters and other accidents with other countries, bilateral agreements for cooperation will be signed with Bosnia and Herzegovina, Republic of Montenegro, Republic of Croatia and Republic of Slovenia.

INSTITUTIONAL FRAMEWORK

As a short-term priority, there is a recognised need to strengthen the Directorate for Environment and the State Environmental Inspectorate, bodies within the MEPP, through new employments, procurement of equipment for the MEPP_SEI, provision of premises for MEPP's servers, as well as further training of the current and new staff in terms of implementation of relevant activities.

At the beginning of 2008, it is expected to be finalized the procedure for taking over 20 new civil servants by the MEPP from the General Secretariat of the Government of the Republic of Macedonia in the context of implementation of the activities under the Ohrid Framework Agreement. The taking over of civil servants from one body to the MEPP is carried out on the basis of evaluation of the relevant education and experience of the civil servant required for her/him to perform tasks at the MEPP. Based on positive evaluation, a contract for taking over is concluded between the other body and the MEPP, by which practical taking over of the respective civil servant in the MEPP is executed.

Apart from capacity strengthening on central level, capacity strengthening has also been envisaged on local level for the purpose of fulfilling the obligations falling under the responsibility of local self-government units in line with the regulations in the area of environment through new employments and implementation of trainings in the domain of execution of the tasks deriving from the regulations in the area of environment, involving also the environmental inspectors on local level. Trainings will focus on the

performing of strategic environmental assessment, on the requirements of the Directive on Liability for Environmental Damage, as well as on the enforcement of relevant regulations regarding liability for damage targeted to the environmental inspectors. The training of the environmental inspectors in environmental legislation enforcement will continue. Trainings will also take place in the areas of industrial accidents management, introduction of ISO standards, as well as keeping the Register of Environmental Pollutants.

In 2008, the Commission for Carrying Out the Environmental Impact Assessment Exam and the Commission for Carrying Out the Strategic Environmental Assessment Exam will be established, as a precondition for the establishment of the List of Environmental Impact Assessment Experts and the List of Strategic Environmental Assessment Experts, also scheduled for execution in 2008.

In this period, support for the implementation of projects by LSGUs will proceed for the development of new infrastructure facilities in the areas of waste and water, as well as in other areas financed through the Programme for Investments in Environment for 2008 as well as through the budgets of the MEPP and the Ministry of Transport and Communications (MTC).

Considering the fact that full regulation of the application of the procedure for passing fines directly by the environmental inspectors, as well as the enactment of the misdemeanour procedure and mediation procedure have been completed, the number of initiated misdemeanour procedures is expected to increase in the forthcoming period and to result in issuing misdemeanour sanctions and mediation procedures.

New schools will be included in the scope of implementation of the GLOBE Programme, which will also organize training for trainers to implement the Programme and procurement of equipment, i.e. chemical kits for current and future schools for the implementation of the GLOBE Programme.

As of 2008, the MEPP's capacity will be also strengthened through the Project for Support of National Preparations of the Republic of Macedonia for EU Membership in the Area of Environment, supported by the Kingdom of Sweden through SIDA/SEPA.

In this period, organisation of public environmental awareness raising campaigns and celebration of the days of the ecological calendar will continue in accordance with the Work Programme of the MEPP. In concurrence, activities of non-governmental organisations related to public awareness raising, will be supported, as will educational, research and development activities aimed at environment protection and improvement.

The National Set of Environmental Indicators of the Republic of Macedonia will be adopted during the first half of 2008 for the following chapters: air, biological diversity, climate change, soil, waste, water, agriculture, energy, fishery, transport, health, and tourism.

CIVIL PROTECTION

In this period, according to the new systematisation, administrative capacity of the DPR will be strengthened by new employments and continuous training of the staff through their participation in international exercises, seminars and training courses.

For the purpose of appropriate staffing of the national protection and rescue forces and of rapid response teams, appropriate equipment will be provided (uniforms, fire prevention equipment – 12 fire vehicles, aircrafts, IT equipment – computers, software, etc.) to be owned by the Directorate, as well as field vehicles for 35 regional units.

In the frameworks of regional cooperation and in order to strengthen the administrative capacities of the DPR, bilateral agreements will be concluded with countries from the region for assistance receiving and delivering in case of disasters and other accidents and also participation in the collective protection and rescue systems will be undertaken.

In this period standard operative procedures will be prepared for the purpose of strengthening the inter-institutional cooperation, the inspection supervision over the subjects with obligation to prepare threats assessments and protection and rescue plans will be conducted and the public awareness for protection and rescue will be strengthened. The Action Programme for cleaning canals and riverbeds will be implemented as well as the handling with and removal of unexploded lethal means in the state.

By the end of 2008, the remaining 32 out of determined 64 rapid response teams will be completed.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

By the end of 2010, it is envisaged the adoption of bylaws on liability for environmental damage, in which Directive 2004/35/EC of the European Parliament and of the Council of 21 April 2004 on environmental liability with regard to the prevention and remedying

of environmental damage will be transposed, as well as adoption of bylaws regarding the establishment of the environmental information system.

Namely, the professional activities through the performance of which liability for environmental damage can occur will be specified, the criteria for the establishment of the existence of environmental damage as well as the cases where, as an exception, no liability for environmental damage shall occur will be set, including measures for remediation of the environmental damage caused. Bylaws will regulate the manner of monitoring data reporting by legal and natural persons, including public and state bodies which hold sources of emissions and by their activities make impacts on one or more environmental media and areas and/or use natural resources. The manner, procedure and the form for reporting data from the state monitoring network, the manner and procedure for collecting, processing, systematization, keeping, using, distributing and presenting the data and information from the state and local monitoring networks, as well as the form, contents, methodology and manner of keeping the Register for polluting materials and substances and their characteristics will be determined. Also, the contents, the form, the methodology and the manner of development of the indicator report and the Programme for Environmental Monitoring and the contents of the Strategy for environmental monitoring will be defined. In this period, the Review of the State of the Environment will also be developed.

In this period, the Protocol on Pollutants Release and Transfer Registries to the Convention on Access to Environmental Information, Public Participation in Environmental Decision-Making and Access to Justice in Environmental Issues (Aarhus) will be ratified.

CIVIL PROTECTION

In this period, the legal framework will be completed by means of adoption of bylaws that will regulate the following: protection and rescue measure from technical and technological accidents and rescue from traffic accidents, the manner of records keeping on built shelters and other types of protection; the technical norms for construction of public shelters, the form, the format and the contents of identity cards of protection and rescue inspectors, as well as the manner of issuance thereof, the contents and the form of the stamp, as well as the manner of sealing/opening of buildings by protection and rescue inspectors, the manner of inspection supervision performance and the manner of records keeping on misdemeanours, passed sanctions and decisions made by the misdemeanour body.

In this period signing of Memorandum of Understanding for accession of the Republic of Macedonia to the Community Civil Protection Mechanism is envisaged. In the segment of bilateral cooperation concerning assistance receiving and delivering in case of disasters and other accidents with other countries, bilateral agreements for cooperation with Hungary and Republic of Bulgaria will be signed.

INSTITUTIONAL FRAMEWORK

Strengthening the MEPP's capacity has been envisaged for this period, through new employments, technical equipment and provision of training for the staff in institutions responsible for legislation enforcement and environmental liability regulations.

It has also been planned to continue the strengthening of capacities of LSGUs in environmental management on local level, through new employments, technical equipment and provision of training for the staff in the institutions responsible for legislation enforcement on local level.

In this period, the implementation of public environmental awareness raising campaigns will be performed continuously, as well as the fostering of educational, research and development studies, programmes, projects, etc., concerning environment and nature protection and improvement. Activities aimed at developing Local Environmental Action Plans will continue as well, and activities related to the accreditation of the Central Laboratory of Environment are expected to be finalised by the end of 2009.

The maintenance of the List of Environmental Impact Assessment Experts and the List of Strategic Environmental Assessment Experts will continue.

In the context of assessment of projects under the Clean Development Mechanism in terms of their compatibility with the concept of sustainable development, national criteria for sustainable development will be adopted in this period.

In this period the reporting to and cooperation with the European Environmental Agency will continue in order to be achieved as high as possible proportion of environmental data reported.

In this period, the support for the implementation of projects by LSGUs for the development of infrastructure facilities in the areas of waste and water, as well as in other areas financed through annual programmes for investment in environment and through the budgets of the MEPP and MTC will proceed.

Conducting misdemeanour procedures and mediation procedures will remain regular activities of the Misdemeanour Commission and Mediation Commission. Also, the enforcement of the procedures according to the environmental laws and inspection supervision procedures will continue.

CIVIL PROTECTION

In this period, activities towards strengthening of administrative capacity will continue through procurement of equipment and implementation of trainings for rapid response teams, national protection and rescue forces and the training centre for protection and rescue, and participation of representatives of the Directorate for Protection and Rescue in international exercises, seminars and training courses will be facilitated. The procurement of field vehicles for 35 local units will proceed, and special vehicles will be procured for the rapid response teams. Also, activities will be undertaken for the purpose of establishing declared teams for international interventions for different areas.

In this period the preparation of the standard operative procedures for the purpose of strengthening the inter-institutional cooperation, the inspection supervision over the subjects with obligation to prepare threats assessments and protection and rescue plans and the strengthening of the public awareness for protection and rescue will continue. Also, the implementation of the Action Programme for cleaning canals and riverbeds as well as the handling with and removal of unexploded lethal means in the state will continue.

FOREIGN ASSISTANCE

The start of the Project for Support to the National Preparations of the Republic of Macedonia for EU Membership in the Area of Environment has been envisaged for 2008, and required financial resources will be provided by the Kingdom of Sweden through SIDA/SEPA. The goal of the project is to improve the capacity of the MEPP with regard to the forthcoming process of negotiation, to enhance the capability for involvement in the decision-making process at the EU level, as well as to provide advice in the preparation of legislation in the areas of nature. The Project should be completed in 2009.

CIVIL PROTECTION

- The Project "Harmonisation of Seismic Risk Maps with SEE Countries" is an ongoing project (duration 1 October 2007 – 31 October 2010) and its goal is to unify methodologies defining the risks of seismic shocks. Maps of seismic risk will be produced and training of scientists will be organised. Participating institutions include the DPR and the Institute of Earthquake Engineering and Engineering Seismology (IEES).
- The Project for establishment of joint rapid response teams in case of flood with the SEE countries is an ongoing project (duration: 1 January 2006 – 31 December 2010) and it will enable harmonisation of standards applicable to equipment and procedures for floods combating in SEE.

Another project planned for the forthcoming period is the Project for Ohrid Lake Cleansing from Unexploded Lethal Means – phase II, through which unexploded lethal means will be removed. The locations of such unexploded lethal means have already been identified during phase I of this Project and the necessary maps have been produced.

3.27.2 AIR QUALITY

CURRENT SITUATION

LEGAL FRAMEWORK

AMBIENT AIR QUALITY

In 2007, the Law Amending the Law on Ambient Air Quality was adopted (Official Gazette of the Republic of Macedonia No's 92/07), thus achieving full transposition of the Council Directive 96/62/EC of 27 September 1996 on Ambient Air Quality Assessment and Management (Framework Air Quality Directive). In this period, the Rulebook on Inventory and on the Level of Polluting Substances Emission into the Ambient Air in Tons/Year for all types of activities, as well as on other data required to be reported under the European Air Monitoring Programme (EMEP) was adopted (Official Gazette of the Republic of Macedonia No. 142/07).

CLIMATE AND OZONE LAYER PROTECTION

The issues of climate change are regulated in a separate Chapter of the Law on Environment, which incorporates the obligation for development of national communications on climate change mitigation with inventory of greenhouse gases by sources and percolating. Through amendment of the Law on Environment, a new Article on the Clean Development Mechanism under the Kyoto Protocol has been introduced, according to which the MEPP is designated as national authority competent to assess projects under this mechanism, with regard to their compliance with the criteria for sustainable development. In February 2007, the Government of the Republic of Macedonia adopted the National Strategy for Clean Development Mechanism for the first

commitment period of the Kyoto Protocol 2008-2012, and the Project for Development of the Second National Communication to the Climate Change Convention (2005-2008) is ongoing.

During the World Conference on Climate Change, held in Bali in December 2007, the Ministries of Environment of the Republic of Macedonia and the Republic of Italy signed the Agreement for Financial Support for 2008 to the Memorandum for Cooperation in the Field of Environment and Sustainable Development. By means of this document, in the first phase of its implementation, the Italian Ministry will support the activities of the Ministry of Environment and Physical Planning of the Republic of Macedonia with EUR 300,000 for 2008, in relation to the implementation of projects in line with the Clean Development Mechanism of the Kyoto Protocol.

INSTITUTIONAL FRAMEWORK

Under the new organisation of the MEPP, in 2007, the Sector – Macedonian Environmental Information Centre was reorganised, and it now plays a key role in the air protection in terms of monitoring data providing, as well as inventory of emissions from stationary sources. This Sector also manages ambient air quality monitoring stations of the MEPP. The Sector also cooperates with the Directorate for Environment (MEPP_DE) within which a Monitoring Unit was established under the Sector for Industrial Pollution Control and Risk Management and with the State Environmental Inspectorate which through state environmental inspectors performs control over emissions from stationary sources. The responsibility for air management has been delegated to the Sector for Industrial Pollution Control and Risk Management of the Directorate for Environment that includes two units, namely the IPPC Unit and the Risk Management and Chemicals Unit. The above organisational setup derives from the fact that most of air pollution originates from installations subject to A integrated environmental permits. According to the Law on Environment, the procedure for issuance of compliance permits with operational plans for these installations is in progress and it is in jurisdiction of the IPPC Unit. By means of these permits exactly, and taking into account the status of the quality of the ambient air as reflected by the monitoring, and taking also into account the obligations accepted by the Republic of Macedonia under the Climate Change Convention and the Kyoto Protocol, it is expected to provide effective tools for the air pollution reduction, ambient air quality improvement and appropriate recording of air emissions released by these installations.

Apart from the MEPP, the Republic Institute for Public Health (MH_RIHP) and the Hydro Meteorological Directorate (MAFWE_HMD), as well as the Ministry of Economy (ME), are involved in the protection of air quality, in terms of definition of standards for fuel quality and emissions from mobile sources of emission (vehicles).

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

AMBIENT AIR QUALITY

In the forthcoming period, bylaws deriving from the Law on Ambient Air Quality will be adopted, by means of which ambient air quality zones and agglomerations will be established, limit values will be set for permissible levels of emissions and types of pollutants in waste gases and vapours released from stationary sources into the air; the manner, the conditions and the procedure of network establishment and operation will be specified, and the methodology of monitoring, the conditions, the manner and the procedure of monitoring information and data reporting will be established, as well as the criteria for selection of measuring points for all sources of pollution. In addition to the above, bylaws will be adopted to determine the upper margins, i.e. the ceilings of pollutant emission for the purpose of establishing projections for a given period aimed at reducing the quantities of pollutants emission on annual level, and specifying the detailed contents and the manner of development of the National Plan for Ambient Air Protection, the Programme for Ambient Air Quality Improvement and the Action Plans for Ambient Air Protection.

CLIMATE AND OZONE LAYER PROTECTION

In this period the Second National Communication on climate change will be prepared.

INSTITUTIONAL FRAMEWORK

AMBIENT AIR QUALITY

In the course of 2008, no changes in institutions and sectors holding responsibilities for air quality and climate management have been planned. In the forthcoming period, the priority need is related to the employment of new staff to fill the envisaged job position vacancies in organisational units of the MEPP which have responsibilities in air and climate management, as well as provision of training for the existing and for the new staff.

Regular maintenance of the air monitoring system, as well as organisation of training in this regard, will continue in the forthcoming period as a continuous activity of the MEPP. In 2008, one automatic monitoring station will be provided for the purpose of finalisation of the State Automatic Air Quality Monitoring System with rural automatic monitoring stations and software for automatic data validation will be procured.

In concurrence with this, as a continuous activity, regular updating and improvement of the Cadastre of Air Pollutants are performed, with particular focus on the improvement of the electronic database through procurement and introduction of an

improved system for data searching, and additional measurement of the ambient air quality and individual emission sources will be conducted. Measures to increase public awareness with regard to air quality improvement will be implemented as regular activities.

CLIMATE AND OZONE LAYER PROTECTION

In this period, training will be performed to strengthen the capacity of installations with A-integrated environmental permits in terms of compiling required documentation in accordance with the Clean Development Mechanism under the Kyoto Protocol.

At the same time, identification of new potential CDM projects qualified for implementation under the Kyoto Protocol will continue.

MEDIUM-TERM PRIORITIES

AMBIENT AIR QUALITY

LEGAL FRAMEWORK

During the forthcoming period, the activity of drafting bylaws deriving from the Law on Ambient Air Quality will continue, in order to establish the methodology, the manners, the procedures, the methods and the means for measuring emissions from stationary sources; to define the contents and the manner of delivery of data and information on the status of ambient air quality management, to specify the form, the methodology and the manner of keeping and maintaining the Cadastre of Air Pollutants. In addition to the above, bylaws will be adopted to regulate the manner and the measures for ambient air pollution prevention from facilities and installations which are not subject of integrated environmental permitting and to determine the combustion facilities that need to take measures for ambient air protection against pollution through reduction of emissions of certain polluting substances to the air. Emission limit values will be specified, as well as the upper limits and targets of reduction of specific types of polluting substances, the methods of emission measurement, as well as the deadlines for the achievement of polluting substances emission limit values, and stricter limit and target values for air quality in certain areas to be adopted at the proposal of a Municipal Council or the Council of the City of Skopje, and the emission limit values and types of polluting substances in waste gases from mobile sources of pollution will be specified. In order to provide data on ambient air quality, the form and the contents of the data delivery form and the form, contents and manner of keeping logbook will be regulated, and detailed conditions to be met by entities performing ambient air quality monitoring and certain types of professional activities will be set with regard to the equipment, devices, instruments and appropriate business premises, in accordance with the prescribed ISO and CEN standards. Instructions will be prepared for implementation plans and programmes, in line with relevant directives on air emissions.

In the course of this period, eight Protocols to the UNECE 1979 Convention on Long-Range Transboundary Air Pollution will be ratified, namely: on long-term financing of the cooperative Programme for monitoring and evaluation of the long-range transmission of air pollutants in Europe (EMEP) of 1984, on the reduction of sulphur emissions or their trans-boundary fluxes by at least 30 % of 1985, on the control of emissions of nitrogen oxides or their trans-boundary fluxes of 1988, on the control of emissions of volatile organic compounds (VOCs) or their trans-boundary fluxes of 1991, on further reduction of sulphur emissions of 1994, on heavy metals of 1998, on persistent organic pollutants (POPs) of 1998 and on combating the acidification, eutrophication and ground-level ozone of 1999.

The National Plan for Ambient Air Protection will be adopted and it will define future measures for ambient air quality improvement and minimisation or full elimination of adverse effects on the quality of ambient air in line with specified zones and agglomerations in the Republic of Macedonia.

CLIMATE AND OZONE LAYER PROTECTION

In this period, the manner of management with the ozone depleting substance, as well as the conditions, manner and procedure for preparation of the National Inventory of anthropogenic emissions by sources and percolating of greenhouse gases will be determined.

INSTITUTIONAL FRAMEWORK

AMBIENT AIR QUALITY

In the coming period, the process of MEPP's capacity strengthening should continue through new employments and provision of training for the new and existing staff in order for them to be able to perform their activities efficiently. Technical upgrading of the Sector for Macedonian Environmental Information Centre and the Monitoring Unit is necessary for the purpose of air monitoring provision.

The upgrading of the automatic air quality monitoring system will continue through regular maintenance of existing monitoring stations and establishment of new automatic air quality monitoring stations.

Regular updating and improvement of the Cadastre of Air Polluting Substances will continue as a regular activity in order to increase the volume of data on air emissions.

CLIMATE AND OZONE LAYER PROTECTION

In this period, training will be performed to strengthen the capacity of installations with B integrated environmental permits and of the LSGUs staff in terms of developing the required documentation in accordance with the Clean Development Mechanism under the Kyoto Protocol.

FOREIGN ASSISTANCE

AMBIENT AIR QUALITY

In the area of air management, the following projects are being implemented:

- Twinning project – Air Quality Improvement in the frames of CARDS 2005, carried out through collaboration with the competent institutions from Finland. The project assists in the development of relevant bylaws, improvement of inventory of air emissions, preliminary assessment of ambient air quality, improvement of the performance of the laboratory and ambient air quality modelling.
- CIM – Project providing the participation of a German expert as technical assistance in monitoring station maintenance, as well as in the implementation of requirements contained in directives on ambient air quality in technical terms.

CLIMATE AND OZONE LAYER PROTECTION

In the area of climate change, the Project aimed at development of the Second National Communication on Climate Change is in progress (its finalisation has been scheduled for April 2008). Another ongoing activity is the bilateral cooperation with the Italian Ministry of Environment, Land and Sea (in line with the Memorandum for Cooperation in the field of environment and sustainable development, with an accent on cooperation in terms of Kyoto Protocol implementation), through legal and technical support of MEPP's work towards the fulfilment of obligations deriving from the Kyoto Protocol.

For the purpose of implementing the National Programme for Reduction and Elimination of Ozone Depleting Substances, financial support has been provided by the Multilateral Fund of the Montreal Protocol.

3.27.3 WASTE MANAGEMENT

CURRENT SITUATION

LEGAL FRAMEWORK

In 2007, the Law on Waste Management (Official Gazette of the Republic of Macedonia No. 68/04, 71/04) was amended by means of the Law Amending the Law on Waste Management (Official Gazette of the Republic of Macedonia No. 107/07). Amendments were required in order to harmonize the penal provisions of this Law with the new Law on Misdemeanours, as well as to improve and expand the text of the Law so as to provide appropriate legal basis for further transposition of the following directives: Directive 2006/12/EC of the European Parliament and of the Council of 5 April 2006 on waste, Council Directive 91/689/EEC of 12 December 1991 on hazardous waste which defines the specific rules of hazardous waste handling, Council Directives 75/439/EEC of 16 June 1975 and 87/101/EEC of 22 December 1986 on disposal of waste oils, Council Directive 96/59/EC of 16 September 1996 on the disposal of polychlorinated biphenyls and polychlorinated terphenyls, Council Directive 91/157/EEC of 18 March 1991 on batteries and accumulators containing certain dangerous substances, Directive 2000/53/EC of the European Parliament and of the Council of 18 September 2000 on end-of-life vehicles, Directive 2002/96/EC of the European Parliament and of the Council of 27 January 2003 on waste electrical and electronic equipment, Directive 2002/95/EC of the European Parliament and of the Council of 27 January 2003 on the restrictions of the use of certain hazardous substances in electrical and electronic equipment (RoHS).

Council Directive 86/278/EEC of 12 June 1986 on the protection of the environment, and in particular of the soil, when sewage sludge is used in agriculture has been transposed in the Draft Law on Waters.

Several bylaws have been adopted on the basis of the Law on Waste: 1. Rulebook on the form and the contents of the application for permit issuance for waste processing, treatment and/or storage, the form and the contents of the permit, as well as the minimum technical conditions for performance of waste processing, treatment and/or storage activity (Official Gazette of the Republic of Macedonia No.23/07); 2. Rulebook on the manner and conditions for waste storage, as well as the conditions to be met by sites intended for waste storage (Official Gazette of the Republic of Macedonia No.29/07); 3. Rulebook on the minimum technical conditions and conditions with regard to environment protection which should be met by waste transferring stations, the conditions to be met by sites intended for waste transferring station building, i.e. placement, as well as the terms for waste keeping in transferring stations depending on the waste type (Official Gazette of the Republic of Macedonia No.39/07); 4. Rulebook on the manner and conditions for PCBs handling, the manner and conditions to be met by installations and facilities for PCBs removal and decontamination, on used PCBs and on the manner of labelling of PCB containing equipment (Official Gazette of the Republic of Macedonia No.48/07); 5. Rulebook on the form and the contents of the permit, the application and the register of issued permits for

trade in non-hazardous waste, the manner and the procedure of permit issuance, the manner of records keeping, as well as on the conditions for the manner of performance of trade in non-hazardous waste activity (Official Gazette of the Republic of Macedonia No. 115/07); 6. Rulebook on the form and the contents of the application for landfill establishment for non-hazardous and inert waste (Official Gazette of the Republic of Macedonia No.133/07); 7. Rulebook on the form and the contents of the application for permit issuance, as well as the form and the contents of the permit for landfill operator (Official Gazette of the Republic of Macedonia No.140/07); 8. Rulebook on medical waste handling, as well as on the manner of medical waste packaging and labelling (Official Gazette of the Republic of Macedonia No.146/07); 9. Rulebook on the general rules for communal and other types of non-hazardous waste handling (Official Gazette of the Republic of Macedonia No.147/07); 10. Rulebook on the manner and procedure for landfill operation, monitoring and control during operation, monitoring and control of the landfill in the stage of termination and further care for the landfill upon termination of operation, as well as the manner and conditions for landfills' care upon their termination of operation (Official Gazette of the Republic of Macedonia No.156/07); 11. Rulebook on the manner and procedure of collection, transport, processing, storage, treatment and disposal of waste oils, the manner of records keeping and data reporting (Official Gazette of the Republic of Macedonia No.156/07).

INSTITUTIONAL FRAMEWORK

Under the new organisation of the MEPP, within the Directorate for Environment a Sector for Environment was established within which the Unit for Waste and Soil is responsible for issuance of permits for waste management, keeping of the register of waste, performance of supervision over activities for which a permit has been issued, as well as for proposing measures for undertaking of waste management activities. In the course of this year, the Directorate for Environment has processed numerous applications (175) for issuance of permits for waste management, mostly for permits for waste storage and treatment, for trade in waste and for transport of communal waste.

Under the 2007 Programme for Investments in Environment, support was provided to several municipalities to develop plans and programmes for waste management, in total amount of MKD 6,000,000.00. Under the same Programme, support in an amount of MKD 53,000,000.00 was allocated to LSGUs and legal persons for the development of project documentation and implementation of projects related to establishment of integrated waste management systems and landfill remediation cleansing. By December 2007, projects entered the final stage of implementation.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Further approximation with the requirements of the EU law is required in the coming period, by means of adoption of bylaws in order to transpose relevant directives in this area.

The adoption of new bylaws will regulate the trade, the use, the labelling, the contents of hazardous substances, the collection and acceptance of returned used batteries and accumulators, as well as the certificate of receipt, records keeping, the system of receipt or purchase and the level and manner of deposit payment. In addition to the above, measures for environment protection will be specified, the targets and terms for their achievement to be met by producers, holders and persons treating end-of-life vehicles will be defined, the manner of their storage will be determined and the certificate for end-of-life vehicle taking over for destruction, the form of the notification and the manner of records keeping will be regulated. Also, detailed conditions for hazardous waste treatment, the manner of its packaging and labelling, as well as the criteria and procedures for waste acceptance in landfills for each class, preparatory activities for waste acceptance, general testing and sampling procedures will be regulated.

In order to regulate the conditions for waste handling in landfills, a rulebook will be adopted to specify the conditions to be met by landfills, as well as a rulebook to specify the quantity of biodegradable waste to be allowed for disposal.

The following documents will be adopted as well:

- The National Strategy for Waste Management, which will define the future policy of the Republic of Macedonia on waste management for a period of 12 years;
- The National Waste Management Plan, following adoption of the Strategy, which will define specific measures to be undertaken for the purposes of implementation of the Strategy for Waste Management and of the Law on Waste Management and
- The Plan for Medical Waste Management including a Feasibility Study, to define measures required to be undertaken in the domain of medical waste management.

In this period, several waste management plans will be adopted by LSGUs, as well as programmes for their implementation. To this end, the MEPP will provide financial support to LSGUs, under the 2008 Programme for Investments in Environment, thus delivering direct assistance to LSGUs in the implementation of their responsibilities in the area of waste management.

INSTITUTIONAL FRAMEWORK

The capacity of the Unit for Waste and Soil and the Sector for EU will be strengthened with new employments and training in waste management will be delivered on local level.

In order to achieve improved waste management by public enterprises dealing with waste on local level, training events will also be organized for their staff.

In this period, training events will be organised in packaging waste handling for the staff of public enterprises and other entities managing packaging waste.

Project documentation for integrated waste management will be developed for the Polog and Skopje regions.

At the beginning of 2008, the Commission for Handling Exams for Acquiring Waste Manager Authorisation will be established, for the purposes of implementation of the Law on Waste Management.

Issuance of waste management permits will continue on the basis of received applications.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In this period, further harmonisation of the national legislation with the EU *acquis* will be achieved in the segment of special waste streams and the following Directives will be transposed: Directive 94/62/EC of the European Parliament and of the Council of 20 December 1994 on packaging and packaging waste, Directive 2002/96/EC of the European Parliament and of the Council of 27 January 2003 on waste electrical and electronic equipment (WEEE), Directive 2002/95/EC of the European Parliament and of the Council of 27 January 2003 on the restrictions of the use of certain hazardous substances in electrical and electronic equipment (RoHS), Council Directive 78/176/EEC of 20 February 1978 on waste from the titanium dioxide industry, Directive 2000/76/EC of the European Parliament and of the Council of 4 December 2000 on the incineration of waste, Council Directive 91/157/EEC of 18 March 1991 on batteries and accumulators containing certain dangerous substances, Council Regulation (EEC) No 259/93 of 1 February 1993 on the supervision and control of shipments of waste within, into and out of the European Community and Council Directive 86/278/EEC of 12 June 1986 on the protection of the environment, and in particular of the soil, when sludge is used in agriculture.

Bylaws to be adopted will determine the classes of types of electrical and electronic equipment, the list of products distributed into classes of electrical and electronic equipment to be selectively collected, the conditions for selection, receipt upon return, treatment and processing, the manner of records keeping of electrical and electronic equipment, and will regulate the maximum values of concentration allowed for certain types of hazardous substances in electrical and electronic equipment, its components and materials. The manner of management of waste from titanium dioxide, the manner of monitoring performance, the contents and manner of data reporting in relation to titanium dioxide waste will be regulated. Bylaws will also be adopted to regulate conditions regarding the technical means and equipment required to perform activities of waste incineration and co-incineration, as well as the minimum technical conditions to be met by waste incineration or co-incineration installations, the form and contents of the application for permit issuance, as well as the form and contents of permits for operators of waste incineration and co-incineration installations. Under the procedure for trade in waste, the types of wastes requiring special regulation of their trading regime will be specified, as well as the conditions for waste export, import and transit, methods of supervision, as well as the form and contents of the form of the permit for waste export, import and transit.

The Law on Packaging will be adopted in this period, too.

Transposition of the Directive 2006/21/EC of the European Parliament and of the Council of 15 March 2006 on the management of waste from extractive industries will be completed in this period through MEPP's cooperation with the Ministry of Economy, and this will induce amendment of the Law on Mineral Resources (Official Gazette of the Republic of Macedonia No. 24/07).

Programme for illegal waste dump sites management and Guidelines on the implementation of the waste management process on local level will be adopted.

INSTITUTIONAL FRAMEWORK

In the forthcoming period, further strengthening of the capacity of the Directorate for Environment and of LSGUs is required through new employments in the area of waste management, as well as through provision of training on the implementation of the legal obligations.

The procedure for issuance of adjustment permits with operational plans will be initiated in this period, regarding existing landfills in the Republic of Macedonia, as well as development of plans for closure of some of the existing landfills to be identified in the Programme for illegal waste dump sites management.

As regards increasing the level of investments and establishing the integrated waste management system, planned activities include development of feasibility studies and other technical documentation on regional landfills, construction of regional and remediation of communal landfills.

Regular updating and maintenance of the Cadastre of Solid Waste Generators will be carried out in this period. Support to LSGUs in the development of plans and programmes for waste management will continue.

In this period, training in packaging waste management will be organised for several stakeholders in the Republic of Macedonia, including the business sector and administration on both central and local levels.

Issuance of permits for waste management will continue in accordance with received applications.

FOREIGN ASSISTANCE

- As part of bilateral cooperation with the Republic of Slovenia, the Project for Development of the National Strategy for Waste Management of the Republic of Macedonia is in progress.
- In the area of waste, a project has been envisaged in order to provide support to the process of waste management on local level, to be implemented in cooperation with the Kingdom of Sweden through SIDA/SEPA, and the expected output will be Guidelines on the Implementation of the waste management process on local level. The project will be completed by 2009.

3.27.4 WATER QUALITY

CURRENT SITUATION

LEGAL FRAMEWORK

In order to overcome deficiencies of the existing Law on Waters (Official Gazette of the Republic of Macedonia Nos.4/98, 19/00 and 42/05) which has not been harmonised with the *acquis communautaire*, as well as to introduce an integrated approach in water management as required by the *acquis*, a new Law on Waters has been drafted. In the Draft Law on Waters, the main requirements of the Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (Framework Water Directive) have been transposed, as well as the requirements of other relevant directives in the area of waters: Directive 2006/7/EC of the European Parliament and of the Council of 15 February 2006 concerning the management of bathing water quality, Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources; Council Directive 98/83/EC of 3 November 1998 on the quality of water intended for human consumption; Council Directive 91/271/EEC of 21 May 1991 concerning urban waste-water treatment; Directive 2006/11/EC of the European Parliament and of the Council of 15 February 2006 on pollution by certain dangerous substances discharged into the aquatic environment of the Community and Council Directive 75/440/EEC of 16 June 1975 concerning the quality required of surface water intended for the abstraction of drinking water in the Member States.

With regard to the issue of wastewater treatment, in October 2007, the Strategic Coherent Framework was adopted, as well as the Operational Programme for Regional Development (OPRD) 2007-2009, as a preparatory step in the process leading to the use of EU pre-accession assistance.

In the framework of the Project CARDS 2003 "Improved Management of Transboundary Water Resources" the following reports and analyses have been produced, containing recommendations and further steps towards creation of Vardar River Basin Management Plan: 1. Report on the Lake Dojran Water Balance, as well as a review of the joint report of working groups from the Republic of Macedonia and the Republic of Greece; 2 Report on the requirements for information exchange between the Republic of Macedonia and the Republic of Greece in order to enable joint monitoring and continuous analysis of water balance in the Dojran Lake; 3. Report on major industrial pollution sources within the Vardar River Basin on the territory of the Republic of Macedonia and recommendations on the most effective way to improve the quality of their emissions; 4..Updated assessment of water resources in the Vardar/Axios River basin, together with an analysis of likely trends in quantities of water resources and their likely variations in resources and the frequency of their appearance; 5. Report: Preliminary assessment of the effects of pollution and water management on water quality in the Vardar River; 6. Report: Overview of fishponds in the Vardar River and the impact of river management and pollution on fishponds; 7.Report: Groundwater monitoring system in Vardar River sediments at Gevgelija; 8 Report: Options for improvement of the Vardar River management, with a summary report to be discussed with competent officials.

INSTITUTIONAL FRAMEWORK

According to the new organisational setup of the MEPP, as of 2007, expert activities in the area of environment are performed by the Directorate for Environment and the Spatial Information System Office, as bodies within the MEPP. The Directorate for Environment includes the Sector for Waters, composed of three units. The Sector for Waters, by 1 of January 2010, will assume the responsibility for the implementation of Chapters 3 and 11 (Planning and Organisational Setup) of the new Law on Waters, upon its adoption.

In 2007, two new wastewater treatment plants started operation – in Kumanovo and Krivogastani. The wastewater treatment plant in Kumanovo was developed by means of support provided by the Swiss Government (under the MEAP Project) and on 1 of January 2008 was transferred for operation to the Public Enterprise of Kumanovo, the capacity of which has been strengthened in the frames of the same project.

In 2007, the Ministry of Transport and Communications announced the 2007 Programme for Water Supply and Wastewater Treatment to the value of MKD 90,000,000.00, by which it financially supports municipalities in the construction of infrastructure facilities in the said areas.

Under the MEPP's 2007 Programme for Investments in Environment, projects/activities aimed at protecting, preserving and improving the quality of water were implemented, and the amount of support was MKD 3,000,000.00. In the frameworks of the Programme for Waters, in line with MEPP's 2007 Work Programme, under the sub-programme Construction and Reconstruction of Wastewater Treatment Plants, funds to the amount of MKD 25,000,000.00 were allocated, while under the Water Protection sub-programme, – MKD 15,000,000.00 were allocated. In the course of 2007, public calls for bids were announced for procurement for the purpose of implementing activities identified in the frames of sub-programmes.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The Draft Law on Waters is in parliamentary procedure and its adoption is expected in the first quarter of 2008. In this period, work will focus on the drafting of bylaws based on the Law on Waters, towards implementation of the requirements of the EU measures: Directive 2000/60/EC ((Framework Water Directive), Directive 76/160/EEC concerning the quality of bathing water and Directive 98/83/EC on the quality of water intended for human consumption.

Priority will be given to the drafting of bylaws that will define the contents of planning documents to be adopted in accordance with Chapter 3 of the Law on Waters.

INSTITUTIONAL FRAMEWORK

In this period, the Sector for Waters within the Directorate for Environment will be strengthened, especially through new employments and provision of training in compiling relevant planning documents and for implementation of the water framework directive and the directive for flood protection.

It has been envisaged to establish the National Council for Waters as an advisory body in the determining of water related policy and Councils for river basin management.

In cooperation with the Ministry of Agriculture, Forestry and Water Economy (MAFWE), as an obligation specified in the Law on Waters, the MEPP will prepare a plan for gradual transferring of responsibilities in water management from the MAFWE to the MEPP, by which the future organisation of the Water Sector in the Directorate for Environment will be defined, as will be the programme for staff training required for the purpose of full taking over of the management of waters from 1 of January 2010.

Commencement of the construction of a wastewater treatment plant in Berovo, as well as implementation of projects for water quality protection, preservation and improvement have been scheduled for 2008. The 2008 Programme for Investments in Environment has allocated support for projects aimed at improved management of waters to the amount of MKD 60,000,000.00 as well as additional support from the budget of the MEPP.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The Law on Waters will establish the legal grounds for adoption of many bylaws to be adopted by 2010, that will provide for full transposition of the relevant EU acquis in this area. Namely, based on this Law, bylaws will be adopted to regulate the form and contents of the form of the application for issuance of permit for discharge, the relevant documentation to be attached to the application, as well as the form and the contents of the permit for discharge. Bylaws will also be adopted to specify the conditions under which it shall be allowed to deviate from the aquatic environment quality targets, specific conditions for indirect and direct

discharges of waste waters, and to determine water bodies for water intended for human consumption. Protection zones for water intended for human consumption and bathing zones will be determined and presented by cartographic indicators and the form and contents of the register of protection zones of water bodies intended for human consumption including protection zones of bathing water and the manner of their management, will be specified. Preparation of detailed study on the boundaries of the protected zones of waters intended for human consumption and protection measures will be defined, as well as the updating of the bathing zones list, protection zones of water bodies marked as recreation waters, including the bathing waters, the manner of labelling and usage of bathing zones and the bathing water quality.

Bylaws will regulate the criteria, methodology and reference methods, conditions, manner and procedure of waters' monitoring, the manner of public information on the quality of bathing waters, the manner and procedure of data reporting from the monitoring of bathing water quality and monitoring of the quality of water intended for human consumption. The contents and manner of preparation of information and cartographic indicators for the activities for water monitoring will be prescribed, as well as the more detailed programmes and plans for water management of the river basins and sub-basins, description of activities and results from the public participation during elaboration of the river basin management plan. In addition to the above, criteria will be set with regard to the selection of measuring points for water monitoring, the conditions, the manner and the procedure for the establishment and operation of state and local water monitoring networks, as well as the methodology for river basin assessment. The contents and the manner of elaboration of river basin management plans will be specified and programmes for river basin management will be adopted. For the purpose of river basin regulation, methodology of river basin assessment, the contents and the manner of elaboration of the programme of measures to include individual measures for surface and ground waters, protected areas, the contents of basic and additional measures, their application and measures that will have to be undertaken in case the environmental targets for a given water body have not been achieved, will be prescribed. The manner of land cultivation and performance of other activities within protection zones that may have unfavourable impact on the status of the water body will be regulated. A rulebook will define the methodology and the manner of determination of reference measuring methods and measurement parameters and monitoring of the quality and the quantity of water bodies proclaimed as sensitive zones in relation to discharged urban wastewater. The manner of monitoring and monitoring parameters will be specified with regard to wastewater and sludge produced by urban wastewater treatment.

The methodology and parameters for measurement and monitoring of the quality and quantity of water bodies in the zones sensitive on nitrates will be prescribed, as well as the manner and procedure for sludge usage and maximum concentrations of heavy metals in the soil in which the sludge is used, as well as the permit for using the sludge from the urban wastewaters treatment. By means of bylaws, the manner of water monitoring performance and monitoring data reporting will be regulated, as well as the referent measuring methods and parameters for measuring and monitoring of the quality and quantity of the water bodies in the areas protected as natural heritage. The conditions that needs to be fulfilled by the legal and natural persons namely accredited scientific and expert organizations and institutions regarding the expert staff, equipment, devices and special conditions in order to install measuring instruments for released amounts of waters and analysis of their quality will be determined and the conditions for maintenance those instruments safe and keeping records for the performed measurements. The following will be determined – the more detailed conditions for collecting, taking away and cleaning, designing, building and exploiting the urban wastewater systems and treatment plants, the technical standards and parameters of emission, quality norms for pre-treatment, removal and treatment of wastewaters, taking into consideration the overload and method for urban wastewaters treatment discharged in zones sensitive of urban wastewaters discharge, as well as the maximum allowed values and concentrations of the parameters of purified wastewaters for their re-usage.

Bylaws will also be adopted to specify the characteristics and the criteria for determination of good water status, chemical status, ecological potential of water in surface water, conditions for determination of artificially and strongly altered water bodies, as well as the deadline for achievement of good status of surface waters. Criteria and characteristics of the good quantitative and chemical status of ground waters, as well as required preventive and restrictive measures in order to achieve the good status of ground waters, will be defined. In addition to the above, water classification and categorisation will be defined, as well as the deadline for achievement of water quality targets and minimum water quality standards, the limit values for discharge of hazardous substances and the boundaries of river basins areas. A list of polluting matters and substances, and the conditions for installation and operation of plants operating with hazardous matters and substances and the manner of their testing prior to putting into operation will be established.

Decisions will also be adopted on the basis of the Law on Waters, to determine the list of water bodies intended for recreation or bathing, as well as a decision to ban or restrict the performance of activities having impacts on the quality of waters in bathing zones.

In addition to the above, it has been planned to adopt appropriate guidelines concerning the implementation of requirements of transposed EU Directives, as well as the Recommendation for good agricultural practice in order to provide farmers and other

persons involved in agriculture with practical instructions with regard to activities that may have impact on surface and ground water bodies and to promote appropriate practice leading to reduction in waters pollution.

In this period, it has been planned to adopt the National Strategy for Waters and the Water Master Plan of the Republic of Macedonia, as well as a Rulebook and a Methodology on detailed contents, manner and procedure of the elaboration, review and updating of the Water Master Plan and to initiate the elaboration of Plans for River Basin Management in the Republic of Macedonia (for river Vardar, Crn Drim and Strumica) and the Programme on measures for achieving the goals relating the environment.

INSTITUTIONAL FRAMEWORK

In the area of waters, activities will be undertaken to strengthen the capacities of bodies that will be responsible for water management. The Law on Waters envisages the establishing of water management bodies by river basins, as organisational units within the MEPP, in order to achieve an integrated approach to water use. Namely, after 1 of January 2010, the Water Sector of the Directorate for Environment should be organised with specific units per each river basin in the Republic of Macedonia.

For the purposes of integrated water management, the river monitoring network will be upgraded and maintained, and also the Cadastre of Polluters by wastewater source will be upgraded.

For the purpose of developing a system for wastewater treatment, feasibility studies on wastewater treatment will be elaborated, and development of wastewater collection systems and treatment plants in the country, as well as the implementation of projects for water quality protection, preservation and improvement will continue.

FOREIGN ASSISTANCE

In the area of water management, the following projects are ongoing:

- In the frameworks of CARDS 2006, in February 2007, the elaboration of technical documentation and application related to wastewater treatment in the Municipality of Prilep started, and it will last by May 2008, the amount of funds being EUR 500,00.00.
- Programme for waters, financially supported by Switzerland. Total amount of the Project is EUR 4,914,000.00 and duration from 1 of January 2006 to 31 of December 2008.
- Project River Monitoring System in the Republic of Macedonia - II phase, also supported by Switzerland, with total amount of EUR 1,061,475.00 and duration between 1 of January 2006 and 31 of December 2008.
- In cooperation with the Japanese International Cooperation Agency, the elaboration of a Feasibility Study on wastewater treatment in the City of Skopje was initiated (2007-2009), the total amount being EUR 1,528,455.00 and duration between 1 of September 2007 and 31 of December 2008.
- The Project for construction of the hydro-system Zletovica – I phase Knezevo Dam, and irrigation, funded by the Japanese International Cooperation Agency is underway (duration of the project: 1 of November 2003- 1 of January 2010) and total value of EUR 73,148,429.00.
- The Project for Integrated management of ecosystem in the Prespa Lake Basin in Albania, Macedonia and Greece is financed by the UNDP (United Nations Development Programme). The total amount of this Project is EUR 2,602,512.00, and duration between 17 of April 2006 and 17 of April 2011.
- The Project for integrated management of the ecosystem in the Prespa Lake basin is underway. It is financed by GEF/UNDP, with a total amount of EUR 1,731,400.00 and duration between 1 of January 2006 and 31 of December 2010.
- The Project Wastewater treatment plant in Gevgelija envisages the construction of a wastewater treatment plant on the Vardar River, and is financed under the Hellenic Plan for the Economic Reconstruction of the Balkans. The total value of this project is EUR 2,000,000.00.
- The amount of the Project Environmental Remediation and Energy Rationalisation of the Geothermal System of Geoterma in Kocani is EUR 1,440,000.00 and its duration is between 1 of October 2006 and 30 of June 2010.

PLANNED PROJECTS

- In the framework of the Swiss Cohesion Fund, in the course of 2007, an Agreement was concluded on the implementation of the project for the protection of land, surface and ground waters against pollution with chromium in the area of Jegunovce. It should be implemented in the course of 2008.

3.27.5 NATURE PROTECTION

CURRENT SITUATION LEGAL FRAMEWORK

The essential law in the area of nature protection is the Law on Nature Protection (Official Gazette of the Republic of Macedonia No's 67/04, 14/06 and 84/07) into which Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds, Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora and Council Regulation (EC) 338/97/EC of 9 December 1996 on the protection of species of wild fauna and flora by regulating trade therein (implementation of CITES) have been transposed. In 2007, this Law was amended by which its penalty provisions were harmonised with the provisions of the Law on Misdemeanours. At the same time, the legal grounds of the Law were expanded and improved to enable the transposition of the above mentioned Directives and Regulation and full harmonisation of the national legislation with the relevant *acquis*.

The process of proclaiming and re-proclaiming of protected areas in the Republic of Macedonia continued in the course of 2007 by the adoption of the Law on Re-Proclaiming part of the Pelister Mountain as a national park (Official Gazette of the Republic of Macedonia No.150/07)

In addition to this, Draft text of the Spatial Plan for the Ohrid-Prespa Region (a sectoral study on nature and biodiversity protection) was developed. The procedure for development of the National Strategy for nature has been initiated and the procedure for selecting a consultants for its development is underway.

INSTITUTIONAL FRAMEWORK

The establishment of the Directorate for Environment, as a body within the MEPP, was followed by the establishment of the Sector for Nature consisting of three units: the Unit for Natural Heritage Protection (UNHP) working on the protection of sites and items proclaimed as protected natural heritage; the Unit for Planning the Area in Protected Areas and Geodiversity Protection (UPAPAGP) performing activities of planning of the space within protected areas, as well as protection of geodiversity and geomorphologic heritage and the Unit for Biodiversity (UB) responsible for the preservation of the basic components of biodiversity.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The Law on Nature Protection establishes the legal ground for adoption of bylaws through which full transposition of the EU *acquis* in this area will be achieved. In 2007, development of several bylaws and analysis of the status, as well as consultations with regard to their adoption, were initiated. In this period, the adoption of several bylaws is planned to take place, by which the procedure for trade in protected species will be regulated and the nature database will be improved. Namely, bylaws will regulate the form, the contents, the manner and the procedure of permitting for collection of endangered wild species of plants, fungi and animals and parts thereof, as well as the form and the contents of the application for permit for carrying out scientific research in nature. The manner and the procedure of permitting for trade in endangered wild species, plants, fungi, animals and parts thereof will be regulated, border-crossings through which trade will be allowed will be determined, and the handling of such plant species subject to trade by customs authorities will be regulated as well. In addition to the above, conditions to be met by authorised depositaries of confiscated specimens in case of illegal trade will be specified. Bylaws will also be adopted to regulate measures and activities for conservation of monuments of nature, as well as measures and activities for conservation of nature parks.

For the purpose of establishing an integrated system for nature protection and biodiversity conservation, the National Strategy for Nature Protection with Action Plan will be adopted and the procedure for revalorisation of protected areas will continue through preparation of acts for their re-proclaiming.

In concurrence with the above, continuous activities will be carried out towards the development of the national ecological network of areas of special interest for conservation (future Natura 2000), elaboration of the monitoring programme and adoption of national indicators of biodiversity, as well as establishment and maintenance of the Protected Area Cadastre and Map.

INSTITUTIONAL FRAMEWORK

In the forthcoming period, the Sector for Nature within the Directorate for Environment will be strengthened through new employments and staff training. In this period, the project supported by the Kingdom of Sweden through SIDA will be initiated and implemented by the Swedish Environmental Protection Agency. The Project is aimed to strengthen the capacity of the Sector for Nature with regards to requirements deriving from the implementation of the EU *acquis* on nature.

At the same time, activities will focus on the strengthening of capacity of bodies managing protected areas through training in the implementation of the Management plans of protected areas. The staff will be trained in the management of the cadastre of protected areas and register of natural heritage; training will be organised for MEPP staff and customs officers in procedures related to the implementation of the CITES Convention.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In this period, the legal framework on nature will be finalised through adoption of bylaws deriving from the Law on Nature Protection.

Namely, bylaws will be adopted to regulate measures for protection and the manner of border-crossing building and maintenance. The List of internationally endangered and protected wild species of plants, fungi, animals and parts thereof will be prepared and harmonised with international agreements ratified by the Republic of Macedonia the trade of which is regulated by certificate for trade with endangered and protected wild species of plants, fungi, animals and parts thereof. The List of wild species of plants, fungi, animals and parts thereof proclaimed as endangered and/or protected at the level of the European Union or other European countries the trade of which is regulated by permit for trade for endangered and protected wild species of plants, fungi, animals and parts thereof will be prepared.

Bylaws will regulate the proclamation of endangered species, determine strictly protected wild species and protected wild species, specify conditions for keeping wild animal species in captivity, and define the manner and the procedure in which it will be allowed to carry out restricted and selective based taking, keeping and in other way using of certain strictly protected wild species in small populations, under strict surveillance. The protection measures and activities, the manner and the scope of protected wild species use will be determined, too.

For the purposes of natural habitats protection, the types of habitats will be defined, including the type and the extent of their being under threat and their significance, that will be determined in accordance with the regulations of the Republic of Macedonia, international agreements ratified in accordance with the Constitution of the Republic of Macedonia, regulations of the European Union and Council of Europe Decisions, as well as the manner of their labelling. The manner of preparation, maintenance and mapping of habitats, the manner of determining the level of threat and the manner of assessing the status and the level of threat of habitat types, as well as habitat types the preservation of which requires determination of specific preservation areas, will be regulated as well. Measures for preservation of the types of habitats being in favourable preservation status will be specified. By means of bylaws, environmental areas of international importance and the manner of their management in the territory of the Republic of Macedonia will be regulated in accordance with international agreements in the area of nature protection ratified by the Republic of Macedonia. The ecological network in the territory of the Republic of Macedonia will be specified and the manner of its management will be regulated. By means of bylaws, landscape types will be determined, as well as their evaluation, taking into account distinct values attributed to them by the local population, as well as by other interested legal and natural persons, distinguished landscapes will be identified, as well as the measures for landscape type protection. In addition to the above, conditions concerning the equipment and business premises to be met by accredited legal persons in order to perform scientific and expert activities of nature protection and monitoring of the state of the nature, the conditions, the manner and the procedure of taking and using genetic and biological material from nature will be specified. The criteria on monitoring and evaluation of the implementation of the National Plan Against Desertification, as well as the contents and procedure for submitting the report on the realisation of the measures and activities determined in this national plan will be specified.

Continuous activities will be carried out towards the development of the national ecological network of areas of special interest for conservation (future Natura 2000), elaboration of the monitoring programme, monitoring methodology of the state of nature and the Red Book and the Red List of Wild Species, adoption of national indicators of biodiversity and their application, as well as establishment and maintenance of the Cadastre and Map of Protected Areas.

Priority has been given to the drafting and adoption of Protected Area Management Plans and their implementation upon adoption by bodies that manage such areas; revalorisation and re-proclaiming of protected areas and preparation of detailed studies for proclamation of new sites as protected areas.

INSTITUTIONAL FRAMEWORK

In this period, the strengthening of the Sector for Nature within the Directorate for Environment will continue through new employments. Also, the establishment of bodies to manage protected areas will be finalised and their capacities will be strengthened. Particular attention will be paid to the strengthening of Public Institutions – National Parks and other bodies responsible for protected area management.

Also, activities will focus on the establishment of electronic databases, the cadastre of protected areas, registers of natural heritage, records keeping on trade in protected species, as well as on the establishment of continuous monitoring in line with the relevant programme and organisation of network of monitoring institutions and manner of data collection/reporting.

Further capacity strengthening will also focus on the establishment and management of the Emerald Network (future Natura 2000) and the National Ecological Network following the model of the PEEN.

FOREIGN ASSISTANCE

The following ongoing projects are carried out with foreign assistance:

1. Development of the Emerald network in the Republic of Macedonia as a network of areas of special conservation interest (ASCI) compatible with the Natura 2000 network developed in the territories of EU Member States. By this, international and European agreements (the Convention on Biological Diversity, the Bern Convention, etc.) and EU Habitat and Birds Directives are transposed. Around 80% of *Emerald* areas in the Republic of Macedonia have been identified and processed so far. The last phase of the project aimed at full identification of the *Emerald* network is expected to commence at the beginning of 2008. The Project is supported by the European Environmental Agency (EEA) through the Council of Europe.
2. The development of the Pan-European Ecological Network (PEEN) in the Republic of Macedonia commenced by the implementation of the Project "Indicative PEEN Map in South Eastern Europe" (2004-2006). In accordance with recommendations resulting from the project to develop more detailed map on national and regional levels, in June 2007, in Kocani, a regional workshop was organised to promote the development of PEEN, involving participants from neighbouring countries; specific proposals on future activities were made during this workshop. The workshop was organised with financial support provided by the European Centre for Nature Conservation (ECNC) from the Netherlands, in an amount of EUR 8,850. Based on results from the workshop, new project proposals will be elaborated.
3. Project "Communication for Nature Protection: Capacity Building and Pilot Projects in Croatia and Macedonia" (2006-2008) is coordinated and financed by the European Centre for Nature Conservation (ECNC) from the Netherlands. The implementation of stage II of capacity building for partnership is in progress in the pilot area of NP Mavrovo. So far, financial support has been provided for the first and second part of the project in an amount of EUR 30,000. The budget for the third part of the project, to be implemented in the course of 2008, has not been defined yet.
4. Strengthening of environmental, institutional and financial sustainability of the system of protected areas of Macedonia (GEF/UNDP). The project aims to strengthen the capacities of institutions that manage protected areas in order to: strengthen the national system in terms of comprehensive knowledge of the subject matter and application of relevant technologies in order to support the development of a more representative network of protected areas, strengthening of tools applicable in the process of decision-making necessary to provide for the legal status of protected areas within the framework and their expansion and local testing of tools for decision-making in the process of re-proclaiming two pilot protected areas.
5. The Project for reconstruction of the information centre – Pelister (2007-2008) is financed and coordinated by the Swiss Embassy. Activities for the building reconstruction are in progress. Next activities will focus on internal arrangement of the information centre.

3.27.6 INDUSTRIAL POLLUTION CONTROL AND RISK MANAGEMENT

CURRENT SITUATION

LEGAL FRAMEWORK

In the course of 2007, on the basis of the Law on Environment (Official Gazette of the Republic of Macedonia Nos.53/05, 81/05 and 24/07), two bylaws were adopted that regulate the level of compensation to be paid by operators of installations for which integrated environmental permits are issued, namely: Decree on the level of the compensation to be paid by operators of installations which carry out activities for which adjustment permit with operational plan is issued (Official Gazette of the Republic of Macedonia No. 117/07) and Decree on the level of compensation to be paid by operators of installations which carry out activities for which B integrated environmental permit is issued (Official Gazette of the Republic of Macedonia No. 117/07).

According to the schedule for submitting applications for adjustment with operational plan to the MEPP, 72 applications for adjustment permit with operational plans for A integrated environmental permit were submitted. The adjustment permits with operational plans determine the dynamics for attaining standards required the integrated environmental permit to be obtained. So far, three draft permits have been prepared for the following installations: Feni Industry, OKTA and the pipeline factory of FZC 11 Oktomvri. For one of them (Feni Industry), a negotiation process has been initiated in order to reach an agreement on the contents and the deadline for operational plan implementation. According to the Law on Environment, at the request of concerned public, one public debate has been carried out so far in relation to the application for adjustment permit with operational plan submitted by the "Makstil" JSC Skopje.

In the frames of CARDS 2004 Project "Strengthening Environmental Management", Sectoral Guidelines on Best Available Techniques (BATs) were prepared concerning various industries, namely: wastewater and gas treatment, steel manufacturing, ferrous metal processing, non-ferrous metal manufacturing, monitoring, production of cement clinker, production of ceramics and intensive poultry breeding.

In the segment of remediation of industrial hot-spots, plans (feasibility studies) for remediation including financial requirements for elimination have been elaborated with regard to four highest priority hot-spots in the Republic of Macedonia, in the frameworks of the CARDS 2006 Project "Development of remediation plans with financial requirements for elimination of industrial hotspots". These are plans for the following industrial hot-spots: JSC Ohis (Organic and chemical industry) – Skopje, Metallurgy and

Chemical Facility MHK Zletovo (lead and zinc smelter) – Veles, Silmak (former Chemical Energy Facility of Jugohrom) – Jegunovce, Tetovo and Makstil (steel and iron plant) – Skopje. At the same time, a Feasibility Study was prepared with support by the UNDP for the purpose of remediation of the Lojane mine as an environmental hot-spot.

INSTITUTIONAL FRAMEWORK

Based on the new systematisation of job positions of the MEPP, the Sector for Industrial Pollution and Risk Management was established within the Directorate for Environment. This sector consists of four units, as follows: Unit for Industrial Pollution Prevention and Control (IPPC), Unit for Chemicals and Industrial Accidents, Unit for Monitoring, and Unit for Risk Management and Atmosphere. The Sector for Industrial Pollution and Risk Management was strengthened by six employments in 2007, one of which was taking over from the Unit for Chemicals and Industrial Accidents and five new employments in the Unit for IPPC; the employment procedure for the latter is in its final stage.

The Unit for Monitoring carries out monitoring of data obtained from monitoring performed by the State ambient air quality monitoring system and validation and verification of such data, including regular maintenance and servicing of monitoring stations and samplers, replacement of filters and parts, manual calibration of instruments in the stations and reference analyzers in the calibration laboratory by means of a static injection system for calibration; monitoring data is delivered to the relevant persons for further processing.

The Unit for Risk Management and Atmosphere is responsible for the management of the identified hot-spots in the Republic of Macedonia, and for undertaking measures in the context of the implementation of obligations deriving from the Climate Change Convention and the Kyoto Protocol. This Unit is also responsible for records keeping on released gases in the atmosphere monitored in accordance with the Climate Change Convention.

Ecological labelling of products and services is an important instrument in the establishment of conditions for environment protection and improvement, in the context of provision of the right to citizens to live in a healthy environment and its goal is to encourage the business sector to produce or to supply the market with products and services with reduced impact on the environment during their entire life cycle.

In the last quarter of 2007, the MEPP announced public competition for development of criteria for specific types of products and services of relevance for the Republic of Macedonia, i.e. for manual dish washing detergents and tourist accommodation. In cooperation with TAIEX, in November 2007, a national workshop was organised on EMAS in the Republic of Macedonia, where the business sector and administration were introduced to the importance of introducing the EMAS.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In accordance with the Law on Environment, and with regard to protection against industrial accidents, it has been envisaged the legal framework in this area in the coming period to be finalised, through adoption of bylaws concerning prevention against, and control of industrial accidents involving dangerous substances. Namely, bylaws to be adopted in this area will regulate the contents of internal and external emergency plans, the manner of their approval, as well as dangerous substances, limit values (thresholds) for the presence of dangerous substances and criteria or properties by which a substance will be classified as dangerous.

For this period, it has also been planned a public competition for elaboration of three new criteria on textile, furniture, and dyes and lacquers to be announced. Adoption of rulebooks has been planned for this period in order to introduce five environmental criteria (manual dish washing detergents, tourist accommodation, textile, furniture, and dyes and lacquers). At the same time, the current composition of the Commission for eco-labelling will be reviewed and it will be formally established.

The National Strategy for Environmental Approximation, developed in the frameworks of the CARDS 2005 Project on "Environmental Management Strengthening in the Republic of Macedonia – Preparation of National Strategy for Environmental Approximation" in 2007 will be adopted in this period. It includes investment plans for the implementation of directives in the area of industrial pollution and risk management, the implementation of which requires significant financial resources.

In this period, a review of received applications for adjustment with operational plans will continue, to result in the elaboration of respective draft permits. In concurrence with this, according to the schedule for submission of applications, in this period applications will be submitted for issuance of adjustment permits with operational plans for other activities, such as poultry farms, leather industry, textile, dyeing, dairies, for industrial sector and waste which is the last one according to the said schedule. Elaboration of permits and negotiations will be carried out in parallel, in accordance with the procedure for issuance of adjustment permits with operational plans.

INSTITUTIONAL FRAMEWORK

In this period, strengthening of the Sector for Industrial Pollution and Risk Management will be achieved by new employments and training in the domain of elaboration of integrated environmental permits and industrial accident management. At the same time, capacities of LSGUs will be strengthened in terms of integrated pollution prevention and control, i.e. in relation to B-integrated environmental permits issuance. It has also been planned to strengthen the Unit for Standards under the Sector for EU by means of new employments.

Training events will be initiated for the industrial sector with regard to the application of the Clean Development Mechanism and preparation of feasibility studies for adoption of eco-criteria for products and services.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

For this period, it has been planned the Rulebook on environmental management and audit schemes to be adopted, as well as separate rulebooks to specify the eco-criteria for eco-labelling.

Bylaws for determining the Environmental Management and Audit Schemes (EMAS) will be adopted, eco-labelling criteria will be defined, and the manner of trans-boundary consultations will be regulated.

In the forthcoming period, activities will also focus on the selection of the best option for the raising funding required for the remediation of the four highest-priority industrial hot-spots, in accordance with the developed plans for remediation including financial requirements for elimination thereof.

INSTITUTIONAL FRAMEWORK

In this period, the process of strengthening the capacity of the Sector for Industrial Pollution and Risk Management will continue through new employments, as well as the strengthening of capacities of local self-government units. At the same time, the Unit for standards at the MEPP will be strengthened for the purposes of implementation of EMAS and eco-labelling. Training events will be organised in issuing integrated environmental permits and in industrial accident management.

In this period, the process of elaboration of environmental criteria will continue with regard to individual groups of products and services of relevance in the Republic of Macedonia and Commission for Eco-Labelling will be established. At the same time, a public awareness raising campaign will be conducted with regard to EMAS introduction and acceptance of environmental criteria.

The procedure for issuance of adjustment permits with operational plans will be carried out on continuous basis and this process should be wrapped up during this period.

In this period, practical implementation of the developed plans for remediation is expected to start, in order to eliminate identified hot-spots.

FOREIGN ASSISTANCE

The following projects are being carried out:

- MAK/4/002 "Management and storage of low and medium active radioactive waste", co-financed by the International Atomic Energy Agency, in an amount of USD 120,000. The main goal of this project is to provide safe management and disposal of low and medium active radioactive waste generated during industrial activities and during scientific and research activities in the Republic of Macedonia. The solution of this problem would be the construction of a Central Storage Facility for radioactive waste in order to provide protection for the population and for the environment against damages caused by ionising radiation.
- CARDS 2006 "Development of remediation plans including plans of financial requirements for elimination of industrial hot-spots". The goal of this project is provision of donor support related to the identification of opportunities for elimination of industrial hot-spots in financially and environmentally feasible manners. Plans for remediation accompanied with financial requirements for elimination of industrial hot-spots have been developed for four such spots. Project activities will contribute to the healthy environment for the population living in the four respective areas, and at the same time will contribute to capacity strengthening of institutions responsible for industrial waste management.

3.27.7 CHEMICALS

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Chemicals was adopted in 2007 (Official Gazette of the Republic of Macedonia No.113/07). This Law transposed the provisions of the following EU measures in the area of chemicals: Council Directive 67/548/EEC of 27 June 1967 on the approximation of laws, regulations and administrative provisions relating to the classification, packaging and labelling of dangerous

substances, Directive 98/8/EC of the European Parliament and of the Council of 16 February 1998 concerning the placing of biocidal products on the market and Regulation (EC) 648/2004/EC of the European Parliament and of the Council of 31 March 2004 on detergents.

Also, the Law on Transport of Hazardous Substances in Railway and Road Traffic was adopted (Official Gazette of the Republic of Macedonia No. 92/07), in which the following EU measures have been transposed: 94/55/EC, 2000/61/EC, 2001/7/EC, 95/50/EC, 2001/26/EC, 2004/112/EC, 1996/35/EC, 2000/18/EC, 98/91/EC, 96/49/EC, 2006/90/EC.

INSTITUTIONAL FRAMEWORK

The responsible institution in this area is the Bureau for Drugs, being a body within the Ministry of Health observing positive experiences in the regulation of chemical production and trade, monitoring of the situation in the fields of production, trade, storage and keeping of chemicals and undertaking measures to improve the situation; the Bureau for Drugs monitors the release of chemicals for trade and carries out the procedure for distribution of chemicals into groups of hazard depending on the degree of their toxicity, monitors data on chemicals and participates in the drafting of relevant legislation in the area of chemicals. The Bureau for Drugs is responsible for the procedure of issuance of permits for import and export of chemicals, as well as the procedure of issuing authorisation for performance of the activity of trade in hazardous chemicals.

In 2007, the National Centre for Information on Chemical Poisoning was established (a public health institution) within the Toxicology Clinic. MEPP, Plants Protection Directorate (MAFWE_PPD), State Labour Inspectorate (MLSP_SLI), Republic Institute for Health Protection (MH_RIHP), State Sanitary and Health Inspectorate (MH_SSHI) and the Interministerial Commission for Implementation of the Convention on the Prohibition of Development, Production, Storage and Use of Chemical Weapons (Law on Ratification of the Convention on the Prohibition of Development, Production, Storage and Use of Chemical Weapons, Official Gazette of the Republic of Macedonia No. 137/06) have responsibilities in this field, too.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In this period, activities will focus on the drafting of bylaws deriving from the Law on Chemicals.

INSTITUTIONAL FRAMEWORK

Strengthening of the institutional capacity of the Bureau for Drugs has been envisaged through the establishment of a new Sector for Chemical Management.

In this period, staff will be trained in new procedures related to bylaw drafting, and training will be organised for inspectors for chemicals with regard to the implementation of the new legislation.

In MEPP's Directorate for Environment, a Unit for Chemicals and Industrial Accidents was established within the Sector for Industrial Pollution and Risk Management; it should be strengthened in the segment of assessment of toxicity of certain chemicals.

In accordance with the Law on Chemicals, a Commission for Chemicals will be established to have a key role in danger risk assessment and chemical classification.

For the purpose of improved inter-sectoral cooperation for the implementation of the Law on Chemicals, it has been envisaged to establish an inter-sectoral body for chemicals by the Government of the Republic of Macedonia, which will be composed of representatives of the Ministry of Health, Ministry of Environment and Physical Planning, Ministry of Agriculture, Forestry and Water Economy, Ministry of the Interior, Ministry of Defence, Ministry of Economy, Ministry of Finance – Customs Administration, Ministry of Transport and Communications and a representative of the Chemical Industry Association.

Activities will be initiated towards preparation of the Programme for Sound Chemical Management, implemented in the framework of cooperation with the Swedish Chemicals Inspectorate.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In this period, activities will focus on the drafting of bylaws deriving from the Law on Chemicals. In addition to the above, analysis will be made for the purpose of approximation of the national legislation in terms of implementation of REACH legislation.

Namely, the National list of new and classified substances that are in circulation in the territory of the Republic of Macedonia will be developed, and bylaws will be adopted to achieve further transposition of Directive 67/548/EEC and regulate chemical risk assessment, classification and safe use, to specify the manner of their physical, chemical, toxic and eco-toxic property testing and methods for the purpose of classification of hazardous substances, and the manner of hazardous chemical classification and labelling.

Also, bylaws will be adopted to regulate the procedure for determination of hazardous properties of chemicals, to specify the contents and the manner of keeping the register of acute poisoning and other unwanted effects of chemicals, and to regulate the assessment of risk imposed by chemicals on human health and environment. In addition, the contents of the notification on new substances will be defined. By means of bylaws, data to be contained in the technical file, as well as data required for the technical file of polymers will be specified. In the area of biocides, the List of active substances for inclusion of biocide products will be established, as well as the List for inclusion of low-risk biocide products, the List of base substances, the type of biocide products and their description. Also, the manner of releasing biocides for trade through a procedure of approval and registration will be regulated, the contents of the application and the manner of approval issuance for the purpose of releasing biocides for trade will be defined, as well as the manner of evaluation of files in order to evaluate the risk of biocide products. A procedure will be prescribed for the purpose of inclusion of active substances on the list of active and base substances for inclusion of biocide products and low-risk biocide products, and the manner of biocide products classification, packaging and labelling will be regulated. Regarding detergents, the methods for biodegradability of SAS (surface active substances) in detergents, as well as reference methods for detergent testing and analysis will be prescribed and the contents of additional detergents related risk assessment will be defined.

By means of bylaws, the manner of labelling and the manner of packaging for dangerous chemicals will be regulated, the contents of the instructions on safety measures necessary to protect human health and safety at work, as well as the environment, will be specified. Also, the manner and contents of the warning regarding hazardous properties of chemicals for users of chemicals, as well as detailed conditions concerning premises, equipment and staff to be met by legal persons performing chemicals production, will be regulated. The contents, the programme and the manner of training, the knowledge of workers, as well as the premises, equipment and the staff to be possessed by legal persons to perform training of workers handling and working with dangerous chemicals in production, as well as of those who conduct the training of legal persons engaged in trade in hazardous chemicals, will be defined. The manner of conducting the training and the contents of the programme for examination in knowledge of chemicals will be specified and principles of Good Laboratory Practice will be introduced.

INSTITUTIONAL FRAMEWORK

In this period, institutional capacity strengthening of institutions responsible in the field of chemicals will continue through new employments and training. Employment of inspectors in chemicals has been envisaged in the State Sanitary and Health Inspectorate, to carry out inspection supervision over the implementation of the Law on Chemicals.

In this period, an analysis will be made with regard to the establishment of a separate body to be responsible for chemicals management in the Republic of Macedonia.

FOREIGN ASSISTANCE

The following activities have been planned:

- Initiation of the implementation of the Programme for sound chemicals management in 2008, envisaged to take place over the next five years. The Programme will be implemented with the support of the Swedish Government by Swedish Development Agency and the Swedish Chemicals Inspectorate.
- At the same time, through the SAICM Quick Start Fund, the Project for Development of the National Plan for implementation of the strategic approach to international chemicals management (SAICM) will be initiated.

3.27.8 GMO

CURRENT SITUATION

LEGAL FRAMEWORK

The Draft Law on Genetically Modified Organisms (GMOs) is in the second phase of adoption in the Assembly of the Republic of Macedonia. Its adoption is expected in the first quarter of 2008. The Law has transposed the following EU Directives: Directive 2001/18/ EC of the European Parliament and of the Council of 12 March 2001 on deliberate release of genetically modified organisms into the environment, supplemented by Regulations (EC) 1829/2003 and 1830/2003, as well as Decisions 2002/623/EC and 2002/811/EC and Council Directive 90/219/EC of 23 April 1990 on the contained use of genetically modified micro-organisms amended by Directive 98/81/EEC, amended by Regulation (EC) 1882/2003 and Decisions 2001/204/EC and 2005/174/ EC. The Law establishes the legal basis for adoption of bylaws to enable full transposition of above listed Directives.

INSTITUTIONAL FRAMEWORK

In the MEPP, Directorate for Environment, Sector for Nature, staff members have been appointed to be responsible for the implementation of the Law on GMO. The Scientific Committee on GMO, which should be established upon the adoption of the Law on GMO, will have an important role in the implementation of the procedure for approvals for GMO use.

The Draft Law on GMOs also poses the obligation for the Ministry of Agriculture, Forestry and Water Economy (MAFWE) to take part in the procedure for approvals for release of GMO-containing products on the market and for this purpose, officials to take part in the procedure should be appointed from among the relevant bodies within the MAFWE.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The adoption of the Law on GMOs will establish the legal grounds for full regulation of GMO management in the Republic of Macedonia. In the coming period, on the basis of this law, a part of envisaged bylaws will be prepared and adopted to regulate deliberate release of GMOs into the environment. Namely, the basic principles, the contents, the scope and the methodology of assessment will be defined, as appropriate for the nature of GMOs released into the environment, according to which the environmental risk will be assessed and GMOs to be banned for deliberate release into the environment and/or released as GMOs on the market, will be specified. In addition to the above stated, areas will be determined where it shall not be allowed to release genetically modified reproductive material to the environment of the Republic of Macedonia, and the contents of information to be attached to the notification on deliberate release of GMOs into the environment and the contents of the plan of emergency measures will be specified. In order to regulate the notification procedure concerning the restricted use of GMOs by means of bylaws, the form and the contents of the notification on restricted use of GMOs, as well as information required to be submitted by the user together with the notification to the MEPP when notification is submitted with regard to the space where GMOs will be used for the first time, separately for each class of restricted use of GMOs, will be defined.

Also, Decisions will be issued on the establishment of the Commission for GMO Management and the Scientific Committee on GMOs.

In this period, an analysis will be initiated in order to determine areas where it will not be possible to release any GMOs.

INSTITUTIONAL FRAMEWORK

The number of employees in the Directorate for Environment, Sector for Nature to be responsible for issues of genetically modified organisms, will be increased. The Commission for GMO Management and the Scientific Committee on GMOs will be established. Both bodies will have key roles in the creation of the Republic of Macedonia's policy on GMO management and in decision-making in relation to GMO use.

At the same time, an analysis will be initiated with regard to the existing conditions and equipment, as well as the necessary resources for procurement of additional equipment required for the establishment of a national laboratory for GMO testing.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In the forthcoming period, remaining bylaws deriving from the Law on GMOs will be adopted in relation to the restricted use of GMOs and placing of GMO containing products on the market. Based on the prior analysis, the areas where it will not be possible to release GMOs will be determined.

By means of bylaws, the contents of the announcement on the place where data included in the notification can be checked, as well as the form and the contents of the notification on restricted use of GMOs, will be prescribed. The methodology of assessment elements will be defined, as well as the parameters, minimum criteria and requirements to be taken into account during assessment, the procedure for assessment carrying out, as well as restrictions and safety measures, including other technical conditions for each class separately in case it is necessary to provide the protection of human health and of the environment depending on the species of the organism, the environment and on the premises where the GMO in question is intended for use. A Rulebook will be prepared on the manner and procedure of public participation in GMO and GMO product permitting. By means of a rulebook, the manner and the procedure of information exchange immediately after an accident has appeared, as well as the identity and the quantity of GMO and recommendations for restriction of effects and avoidance of similar accidents in future, will be regulated. A Rulebook will be adopted to regulate the contents of information and any information that may be exempt from the notification and the level of the costs for the issuance of the permit for deliberate release of GMO products on the market and deliberate release of GMOs into the environment. A Rulebook will also regulate the contents and the manner of compiling assessment reports on GMO products, as well as the form and contents of the permit for GMO and/or GMO products export, the form, contents, methodology and manner of GMO register keeping will be prescribed, too. By means of Decrees, the size of protected zones covering also the surrounding areas that prevent the spread of GMOs where no deliberate release of any GMOs is allowed will be determined, and information and data to be submitted together with the notification on the export of GMO and GMO-containing products will be defined.

INSTITUTIONAL FRAMEWORK

MEPP capacity will be strengthened in the field of GMO management by means of new employments. In line with the experience in GMO-related notification processing, the need for institutional upgrading through establishment of a specific GMO unit will be assessed. At the same time, MAFWE capacity will be strengthened, especially of the Veterinary Directorate and the Seed and Planting Material Directorate.

In this period, training will be organised for the staff of the MEPP, MAFWE, as well as for the members of the Scientific Committee on GMO on the processing of GMO-related notifications.

In this period, activities will be taken towards the establishment of the GMO Register and establishment of the Biosafety Clearing House Mechanism prescribed under the Protocol on Biosafety to the Convention on Biological Diversity.

In this period, the process of establishment of the national laboratory for GMO testing will be completed.

FOREIGN ASSISTANCE

At present, no GMO related projects are carried out supported by foreign assistance.

3.27.9 NOISE

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Protection against Environmental Noise was adopted in 2007 (Official Gazette of the Republic of Macedonia No. 79/07) and established the legal basis for environmental noise management in the Republic of Macedonia. The Law transposed Directive 2002/49/EC of the European Parliament and of the Council of 25 June 2002 relating to the assessment and management of environmental noise, thus fulfilling the main recommendations and requirements of the European Union in the area of environmental noise and it provided the legal basis for the adoption of bylaws through which the remaining EU acquis in the area of noise will be transposed.

This Law established the basis for preparation and implementation of a set of measures for protection against noise generated by major sources, especially railway and road means of transportation and related infrastructure, aircrafts, equipment used outdoors and in the industry, mobile machinery, also providing the basis for the development of additional measures in the short, medium, and long run. The Law also defines the sources of environmental noise, the limit values for noise level, environmental noise indicators, and provides basis for adoption of planning documents on noise management. The Law also defines the notion of noise in the neighbourhood, including noise from catering and tourist facilities.

In the course of September 2007, the Rulebook on the form and contents of the stamp of the State Environment Inspectorate, the authorised environmental inspector of municipality and of the municipality in the city of Skopje, and of the authorised inspector of the city of Skopje (Official Gazette of the Republic of Macedonia No. 112/07) was adopted, by which environmental inspectors are entitled, by means of decision, to seal any device, equipment and premises, in case they establish by means of measurement the existence of noise emission of a level higher than the prescribed limit values.

INSTITUTIONAL FRAMEWORK

The body responsible for the area of noise, especially for the implementation of the Law on Protection against Environmental Noise and of regulations adopted on the basis of this Law is the Ministry of Environment and Physical Planning. The Sector for Environment within the Directorate for Environment has envisaged job positions with tasks related to protection against noise. The inspection supervision over the enforcement of the Law and regulations adopted on the basis of the Law is performed by the State Environment Inspectorate as constituent body of the MEPP, as well as inspectors of environment of LSGUs. Certain responsibilities in noise management also belong to State Sanitary and Health Inspectorate (MH_SSHI), Ministry of Economy (ME), and LSGUs.

With regard to noise monitoring, MEPP collects and processes data from measurements of communal noise performed by public health centres, as well as measurements conducted by the Central Laboratory at the MEPP, concerning different types of noise generated by different categories of noise generators (industry, airports, catering and tourist facilities, and other activities).

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

For 2008, adoption of bylaws is envisaged concerning the specification of noise level limit values and noise monitoring regulation.

Several bylaws are in the final stage of drafting and will be adopted during the first quarter of 2008; these bylaws will regulate the application of noise indicators, additional noise indicators, the manner of noise measurement and the methods of environmental noise indicator assessment and, in addition, locations of measuring stations and measuring points will be determined.

In addition to the above, detailed conditions will be established with regard to required equipment to be possessed by entities in order to perform environmental noise monitoring; the manner, conditions and procedure for the establishment and operation of networks, measurement methodology and manner, as well as the conditions, manner and procedure of information and data reporting from monitoring stations on the state in the noise area, will be regulated.

INSTITUTIONAL FRAMEWORK

In the course of the forthcoming year, efforts will focus on strengthening the Directorate for Environment - Sector for Environment and the Sector of Macedonian Environmental Information Centre by means of new employments in order to support the enforcement of the Law and relevant bylaws. At the same time, law enforcement capacity should be strengthened on local level.

For the second half of 2008, it has been planned to initiate the establishment of the monitoring network for monitoring and measuring environmental noise, as well as commencing activities for determination of agglomerations for which Strategic Noise Maps will be developed.

In concurrence with the above, activities will be initiated towards the development of the Operational Programme for Noise Levels Measurement and Monitoring.

It has been also planned training events for newly-employed staff in the monitoring network for environmental noise monitoring to be organized, to also include local self-government units.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In this period, it is expected to adopt bylaws by which the legal framework in the area of noise will be completed and full approximation with the relevant EU acquis will be achieved.

Namely, by means of bylaws, the detailed contents of strategic noise maps, the manner of development and data collection for the development of strategic noise maps; the manner of such data collection, storage, keeping and recording, as well as the manner of cooperation between authorities responsible for the development of strategic noise maps with authorities responsible for the development of strategic noise maps in a neighbouring country, will be regulated. Also, agglomerations, main roads, main railroads and main airports will be determined for which strategic noise maps will be developed.

By means of bylaws, the detailed contents of noise action plans, the manner of development and data collection for the development of noise action plans, the manner of such data collection, storage, keeping and recording, as well as the manner of cooperation of authorities responsible for the development of noise action plans with authorities responsible for the development of noise action plans in a neighbouring country, will be regulated.

In this period, activities will be initiated towards the development of strategic noise maps and noise action plans.

INSTITUTIONAL FRAMEWORK

For this period, it has been planned noise monitoring network in the territory of the Republic of Macedonia to be established through establishment and maintenance of noise generator cadastre and map and establishment of an information system on the status of environmental noise as part of the overall environmental information system in the Republic of Macedonia, to incorporate data obtained by noise monitoring, data from strategic noise maps and noise action plans and other relevant data obtained through individual noise measurements. For the purpose of monitoring, the national environmental noise monitoring network will be established and the Programme for operation of the national environmental noise monitoring network will be adopted. By the point of the establishment of the national environmental noise monitoring network, the Operational Programme for the Noise Levels Measurement and Monitoring will be adopted and implemented upon review and amendment. At the same time, activities will be carried out to determine the agglomerations for which strategic noise maps and noise action plans will be developed. In this period, efforts will be made to establish the GIS of environmental noise data in order to achieve full compliance with requirements contained in the INSPIRE Directive providing as such legal basis for the implementation of the European Infrastructure Space Data as one of the main components of the European Environmental Information System (SEIIS).

Also, procurement of measuring instrument for noise and vibration has been planned and training for its use to be conducted.

FOREIGN ASSISTANCE

At present, no environmental noise management related projects are carried out with support of any foreign assistance.

3.27.10 FORESTRY

CURRENT SITUATION

LEGAL FRAMEWORK

In 2007, the Law for Reproductive Material of Forest Tree Species was adopted (Official Gazette of the Republic of Macedonia No. 55/07) and it is harmonised with Council Directive 1999/105/EC of 22 December 1999 on the marketing of forest reproductive material.

The Law Amending the Law on Forests (Official Gazette of the Republic of Macedonia No. 54/07) was adopted, by which the manner of forests growing was regulated in more detail, i.e. an obligation was introduced for entities managing the forests to plant one or more nursery plants for each tree cut, thus providing expansion of the area under forest stock and enabling sustainable forest management. In addition to the above, by this Law, provisions contained in the Law on Forests (Official Gazette of the Republic of Macedonia No's 47/97, 7/00, 89/04) were harmonised with the Law on Misdemeanours in the fields of inspection supervision and penal provisions.

In this period, the implementation of the Strategy for Sustainable Development of Forestry in the Republic of Macedonia with Action Plan – 2007-2009 has proceeded.

The 2007 Programme for Expanded Forest Reproduction (Official Gazette of the Republic of Macedonia No. 18/07) was adopted. Under the Programme, financial resources were allocated from the Budget of the Republic of Macedonia, to support several activities such as: afforestation of bare lands and erosive areas, nursing of forest plantations by thinning out the density, melioration of degraded oak forests, remediation of forest areas upon fire and their artificial recovery and prevention of mass forest and forest species drying out, provision of nursery plants for private afforestation and for environmental actions, and protection of forests and forest plantations against plant diseases and pests.

In addition to the above, the Report on the Implementation of the Programme for Expanded Forests Reproduction for 2006 was adopted by the Government of the Republic of Macedonia, as well as the Information on the Health Status of Forests in the Republic of Macedonia for 2006, including draft measures.

INSTITUTIONAL FRAMEWORK

Competent institutions in this area are: 1. MAFWE_Sector for Forestry and Hunting, 2. MAFWE_State Forestry and Hunting Inspectorate and 3. MAFWE_Sector for Forest Police.

In the Sector for Forestry and Hunting, under the new systematisation of job positions adopted in July 2007, it has been foreseen the number of job positions to increase by eight new positions and the following ones have been executed: one person – forestry engineer was employed by transferring from the Government of the Republic of Macedonia, and two persons – forestry engineers, are in procedure for transferring from the Government of the Republic of Macedonia. In the Sector for Forest Police, 13 forest policemen have been employed.

A new proposed systematisation of working posts in the MAFWE has been prepared and it envisages increase of the number of working positions by 12 in the Sector for Forestry and Hunting.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In this period, activities will focus on the preparation of bylaws which derive from the Law for Reproductive Material of Forest Tree Species towards further transposition of EU Directive 1999/105/EC.

By the end of 2008, the following studies, the elaboration of which is underway, will be finalised:

- Study on preventive and preliminary suppressive protection of forests against fires, by which analysis will be made of the current status of forest protection against fire and the most important preventive and preliminary suppressive protection measures will be proposed. Among preventive measures, legal, information campaign and educational measures are considered, while among preliminary suppressive (preparatory) measures, the following ones are under consideration: early detection of fires, timely reporting, organisation of the transport of persons involved in forest extinguishing, their training, selection and procurement of appropriate equipment and mechanisation for fire localisation and extinguishing, assessment of the extent of danger of fire occurrence and spread, and developing fire prevention operational plans.
- Study on forest areas at risk of erosion which will identify areas under risk and will specify the extent of the risk of erosion and propose measures for appropriate reclamation of such areas.

- Study on development of the forest road network in the Republic of Macedonia – density and quality of existing forest roads are far below standards required as optimum in the forestry field. Most of the forests are not open-boundary and are hard to access in cases when emergency activities need to be carried out which depend on the speed of the intervention itself, especially in terms of forest growing and protection. Their development is mostly in absence of technical documentation, and such roads are not passable throughout the year. For the above reasons, the existing road network in the mountain region should be re-categorised and forest roads should be distinct from local roads. At the same time, the environmental impact of the forest road network will be assessed. This Study will include a full analysis of the status of the forest road network and a plan and schedule towards optimum forest openness.
- Study on facilities and technologies for biomass utilisation in the Republic of Macedonia – for the purpose of higher share of the fuel wood as an energy resource, especially in terms of obtaining thermal energy, and in order to achieve higher efficiency in energy production, a Study should be carried out to assess the feasibility and cost-effectiveness of the introduction of new technologies using fuel wood as an energy resource; in this way, an assessment will be obtained on the application of new technologies for biomass use from forest resources.

The Report on the Implementation of the Programme for Expanded Reproduction in Forests for 2007 will be adopted, and the 2008 Programme for Expanded Reproduction in Forests will also be adopted.

In addition to this, the 2007 Information on the Health Status of Forests in the Republic of Macedonia with draft measures will be adopted in March 2008.

In the first quarter of 2008, the Government of the Republic of Macedonia will adopt the 2007 Report on the Work of the State Forestry and Hunting Inspectorate (MAFWE_SFHI). The compiling of reports of this type containing data on performed inspection supervision by the MAFWE_SFHI represents a regular activity of this body carried out each year.

The State Forestry and Hunting Inspectorate (MAFWE_SFHI), a body within the MAFWE, developed the Draft Law on Forestry and Hunting Inspection, that will establish the principles of inspection supervision, the responsibilities, the organisation of inspection, the status, rights and duties of inspectors, the procedures of inspection supervision, and other issues regarding inspection supervision.

INSTITUTIONAL FRAMEWORK

For this period, it has been envisaged to establish a body called the Agency for Forestry and Hunting, as envisaged in the Action Plan of the Strategy for Sustainable Development of Forestry in the Republic of Macedonia, aimed at more efficient organisation of forestry and hunting in the frameworks of the institutions in the country. The Agency for Forestry and Hunting will be established by means of transformation of the Sector for Forestry and Hunting, and employments to take place in the Sector for Forestry and Hunting in the course of 2008 will be transferred to the Agency. Within the Agency, the Sector for Forestry and Hunting will be transformed into two separate sectors: the Sector for Forestry and the Sector for Hunting.

In addition to the above, administrative capacity strengthening has been envisaged through new employments in the MAFWE_Sector for Forestry and Hunting, organisation of training events in working with the GIS programme, project management, developing strategies and studies, and equipment procurement.

To meet the needs of the MAFWE_SFHI, strengthening efforts will include new employments and training of inspection staff in order to improve the supervision and control functions, as well as procurement of new equipment. New employments, for the purpose of strengthening the administrative capacities, are also envisaged for the Sector for Forestry.

Activities will take place for the purpose of preparation and implementation of methodology for forests inventory in the Republic of Macedonia, information network establishment and GIS technology introduction, as well as forestation of bare lands and erosive areas and melioration of degraded oak forests.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Adoption is foreseen to take place in the forthcoming period of the new Law on Forests and the new Law on Hunting.

Also, all bylaws based on the Law on Reproductive Material of Forest Tree Species will be adopted, by which the list of economically important forest tree species and quantities for special purposes will be established, the conditions for recognition of the types of basic material for production of reproductive material of forest tree species will be specified; and the form, contents and manner of keeping registers of recognised basic material and provenience areas will be defined. The form, the contents and the manner of keeping the register of producers and dealers of reproductive material of forest tree species, as well as the contents

and the manner of business book keeping, the manner of performance of technical control over the production of reproductive material of forest tree species, and the form and contents of their certificates will be defined.

The adoption of the Strategy for Sustainable Development of Forestry in the Republic of Macedonia with Action Plan – 2007-2009 and the approximation with relevant EU acquis poses the need for restructuring of existing and establishing of new institutions. The existing legislation in certain areas has not been harmonised with the Law on Forests and the Law on Hunting and this status causes difficulties in the enforcement of these laws. Therefore, there is a need to prepare new laws on forestry and on hunting with the relevant bylaws.

Apart from this, the Study on the impacts of forestry activities over forest ecosystems will be developed to provide findings on forestry activities impact on forest ecosystems. Activities performed by forestry entities in forests mostly deal with forest management, which implies forest growing, protection and use and that is positive. However, the results from these activities should be assessed in real terms and streamed so as to avoid potential negative effects (construction of roads, afforestation, treatment with different pesticides, protection of certain species of flora and fauna, etc.).

INSTITUTIONAL FRAMEWORK

In the forthcoming period, increase is planned in the number of human resources in the Sector for Forestry and Hunting, the State Forestry and Hunting Inspectorate and the Sector for Forest Police, upgrading of the institutional framework with new sectors and extension of the existing ones in line with the needs of the Agency for Forestry and Hunting.

In this period, several training events will be organised focused on working with the GIS software, project management, elaboration of studies and strategies, and improving inspection supervision.

The activities for the purpose of preparation and implementation of methodology for forests inventory in the Republic of Macedonia, information network establishment and GIS technology introduction, as well as forestation of bare lands and erosive areas and melioration of degraded oak forests will continue.

FOREIGN ASSISTANCE

1. Project: "Development of a methodology for inventory of the forests in the Republic of Macedonia and implementation of the inventory", ongoing (October 2007-December 2009);
2. Establishing of the IT network and introduction of the GIS technology – to achieve this goal, the MAFWE has been making efforts to obtain support through the Ministry of Foreign Affairs of Norway (Norwegian Forestry Group) (November 2007-December 2009).

3.28 CONSUMER AND HEALTH PROTECTION

3.28.1 CONSUMER PROTECTION

CURRENT SITUATION

LEGAL FRAMEWORK

In the area of consumer protection, *horizontal aspects* were emphasised with the adoption of the Programme for consumer protection, 2007-2008. By amending the Law on Consumer Protection certain provisions of the Law were further specified towards its better enforcement in practice, as well as its alignment with the Law on Misdemeanours. The possibility of direct financial support to consumer associations by the Ministry of Economy represents a novelty, which is to be performed on the basis of a previously announced Public Call and programmes (projects) drafted by consumer associations.

Concerning non-safety related issues, the Law on Consumer Protection in Consumer Credit Agreements (Official Gazette of the Republic of Macedonia No. 63/2007) was adopted. By the adoption of this Law, for the first time in Republic of Macedonia consumers' rights and the protection of consumer credits beneficiaries were regulated integrally. The Law is fully harmonised with Directive 87/102/EC. Effective enforcement of this Law started on 1 January 2008. To enable better enforcement of the Law, bylaws were adopted regulating the calculation of the total cost annual rate, monitoring the operation of banks and savings banks in terms of consumer protection regarding consumer credit contracts, obtaining licences to approve consumer credits, the Register of consumer credit issuers, the Register of credit mediators, labels for licences issued for consumer credit approvals, the manner of reporting by consumer credit issuing entities, as well as technical requirements to be met by consumer credit issuing entities.

The Law amending the Law on Mediation was adopted (Official Gazette of the Republic of Macedonia No. 22/2007) – see also Chapter 23, and a Chamber of Mediators was established which adopted its own Code of Ethics and set up the Mediation Centre.

As regards *product-safety related issues*, the Law Amending the Law on General Product Safety was adopted (Official Gazette of the Republic of Macedonia No. 63/07); to ensure better enforcement of the Law, several bylaws were adopted. – see also Chapter 01.

As regards the aligning of legislation on inspection services responsible for consumer policy implementation, adoption took place of seven rulebooks stemming from the Law on the State Market Inspectorate; the Law Amending the Law on Food Safety and Products and Materials in Contact with Food (Official Gazette of the Republic of Macedonia No. 84/07) fully harmonised with Regulation No.178/2002/EC of the European Parliament and the EU Council; as well as three bylaws stemming from the Law on Sanitary and Health Inspection. (See Chapters 01 and 12)

INSTITUTIONAL FRAMEWORK

Certain progress was noted in terms of staffing at institutions competent for implementing the consumer policy. The capacity of the Unit for Consumer Protection and Free Movement of Goods within the Ministry of Economy was strengthened with one employee.

Within the State Market Inspectorate, several job vacancies were announced: head of units, inspectors and expert associates. Parts of these vacancies have already been realised.

Within the Food Directorate, a special novelty is the establishing of the Consumer Protection Unit – the Food Standards Sector. Three staff members work in this sector. The Department of Consumer Protection performs the following activities: participates in the drafting and implementation of the consumer protection policy; keeps records of reports filed by consumers, and acts upon reports of wider interest; detects non-safety food; informs about the possible danger relating to hygiene conditions in premises where food production and placing into use are performed; elaborates expert opinions relating to consumer protection; participates in the implementation of projects in the area of consumer protection, etc..

Activities were undertaken towards administrative and staff strengthening of the State Sanitary and Health Inspectorate. Employment of two new employees is in progress, following the obtaining of relevant approval from the Ministry of Finance, as well as ICT equipment placing (20 computers), and procuring furniture pieces and 15 vehicles.

SHORT TERM PRIORITIES

LEGAL FRAMEWORK

As regards horizontal issues, work done in 2008 will be directed towards carrying out activities related with the Consumer Protection Programme for the 2007-2008 period and, at the end of the year, a Consumer Protection Programme will be adopted for the 2009-2010 period.

Several activities were envisaged to be carried out within the Programme:

- In terms of the implementation of the Law on Consumer Protection, taking into account consumer rights and businessmen's economic interests (guarantee obtaining, declaration obtaining, servicing warranty maintaining, the right to return or replace products already purchased, the due term for replacing a product, etc.) working meetings will be held with representatives of institutions that are responsible for consumer policy implementing;
- Better implementation of regulations on the quality of products released on the market, with the aim of accomplishing high levels of safeguarding consumer health and safety, with representatives of the State Market Inspectorate, the Institute for Standardisation, Institute for Accreditation, the Chambers of Commerce and the Consumers Organisation of Macedonia;
- Holding working meetings with competent inspection bodies to analyse the situation in the food and medicine markets on the basis of inspection monitoring done and inspection bodies' annual operational plans.
- Implementation and promotion of mediation as a manner of settling consumer disputes in accordance with the Law on Mediation;
- Considering and analysing the situation in the consumer protection field in terms of activities of public interest with representatives of JSC "Macedonian Telecommunications", the Ministry of Transport and Communications, the Agency for Electronic Communications, the State Market Inspectorate, the Energy Regulatory Commission, EVN-ESM, JSC District Heating System of the City of Skopje, the Commission for Protection of Competition, Consumer Organisation of Macedonia and the Ombudsman;
- Education of children and the youth in the field of consumer protection by organising working meetings with tutors in pre-school institutions and with primary school teachers.
- In the field of tourism and catering, analysing the situation in the field of services provided by travel agencies provide in terms of high-quality offer of tourism services and of the rights of consumers being beneficiaries of these services;
- Delivering several workshops about financial service delivery and the adoption of the Law on Consumer Protection Regarding Agreements for Consumer Credits as well as on relevant bylaws adopted; and
- Greater cooperation with, and providing financial support to, NGOs working on consumer protection projects drafted by them, with the aim of raising the levels of consumer awareness and culture.

As regards non-safety related to issues, in the short term, the adoption is envisaged of the Law Amending the Law on Mediation, with the aim of having this Law aligned with the Council of Europe's Committee of Ministers' Recommendation II(99)19 to Member-States Concerning Mediation in Penal Matters. At the same time intensive efforts will be made to implement the Law towards encouraging consumers to employ mediation as a manner of settling consumer disputes.

As regards the Directive on Distance Marketing of Financial Services, the possibility of its transposition and implementation in practise will be analysed.

As regards the correct operation and performance of inspection services competent for implementing the consumer policy, short term measures will be undertaken towards strengthening and better functioning of the coordinative body for inspection surveillance. – see Chapter 01.

INSTITUTIONAL FRAMEWORK

As regards the implementation of the consumer policy and cooperation among institutions in this regard, short-term work will be done towards staffing and administrative strengthening of competent institutions.

The capacity of the Unit for Consumer Protection and Free Movement of Goods at the Ministry of Economy will be strengthened by employing new staff members. With the aim of implementing the consumer policy and the legislation in this area, training of state market inspectors will be performed.

Several new employments have been envisaged within the State Market Inspectorate. The Banking System Unit within the Financial System Sector at the Ministry of Finance responsible for the implementation of financial service delivery legislation will strengthen its capacity by engaging new employees.

Strengthening of the Department of consumer protection within the Food Directorate is envisaged by engaging new employees.

Within the State Sanitary and Health Inspectorate – MH (Ministry of Health) electronic connection will be performed among all regional units, Internet access will be installed and a unique software will be elaborated with the goal of providing a unique register of objects that are subject to sanitary-hygiene monitoring and health surveillance as well as providing for quick flow of information.

In the State Sanitary and Health Inspectorate, a series of training events will be organised in the field of monitoring the exercise of patients' rights in accordance with the existing legislation. Continuous training will be implemented in the fields of epidemiology, hygiene, and legal procedures and implications.

In the State Sanitary Inspectorate new employments are envisaged.

MID-TERM PRIORITIES

LEGAL FRAMEWORK

As regards the horizontal issues, the adoption of the Law Amending the Law on Consumer Protection is envisaged to take place in the mid-term, towards the alignment of this legislation piece with Directive 32005L0029, related with the prohibition of fraudulent marketing. The Law is to be adopted by the end of 2009. The carrying out of activities within the 2009-2010 Programme for Consumer Protection is also envisaged.

As regards issues not related with safety, in the financial services field, alignment with Directive 32002L0065 is anticipated on distance marketing of consumer financial services. On the basis of this Directive, a legal act will be adopted on providing distance financial services, the provisions of which are planned to enter into force with the country's accession to the EU or thereafter, depending on liberalisation and capital transfers developments as well as on financial services and creating adequate technical conditions (primarily security systems) for the maintaining of this kind of marketing. The act is planned to be adopted in the course of 2009.

Work will also be done towards promotion and improvement of the legal framework in the area of mediation.

INSTITUTIONAL FRAMEWORK

As regards the implementation of the consumer policy and inter-institutional cooperation in this regard, mid-term action will be taken towards staffing and administrative strengthening of competent institutions. The administrative capacity of the Unit for Consumer Protection and Free Movement of Goods – ME is planned to be strengthened with new employees. Several employments are envisaged within the State Market Inspectorate.

The Banking System Unit within the Financial System Sector - MF responsible for the adoption of legislation in the field of financial service delivery will be strengthened with new staff members.

Strengthening of the Unit for Consumer Protection within the Food Directorate is envisaged with engaging new employees.

In the State Sanitary and Health Inspectorate, more employments are envisaged for 2009, and for 2010.

3.28.2 PUBLIC HEALTH

CURRENT SITUATION

In the area of public health, observing the European Model of Strategic Programmes, the Ministry of Health started the process of attaining strategic priorities towards public health development, providing health services, improvement of health protection, observing new ways of curing emerging diseases – “diseases of the 21st century”, and observing contemporary techniques and technology in the health field by means of investments in renewing medical equipment, capital investment outlays, developing ICT technology, and improving healthcare in the field of addictions.

In order for these priorities to be attained, the Government of the Republic of Macedonia adopted a Decision allocating EUR 10 million from the State Budget of the Republic of Macedonia and EUR 30 million from the HIFRM (Health Insurance Fund of the Republic of Macedonia) Budget, for procurement of medical equipment, as well as EUR 40 million for reconstruction of healthcare institutions.

In order to improve the accessibility of healthcare institutions by beneficiaries of health protection, a project was prepared for building 18 healthcare buildings – out-patient departments in remote rural areas where healthcare institutions had not existed before.

Financial support with healthcare annual programmes was increased which enabled strengthening of the public health segment.

The project of introducing electronic medicals files for each citizen is at its initial stage, introducing the new healthcare ID – electronic healthcare ID, as a means of identification. This project also implies the introducing of a centralised web portal to include all necessary information on all entities included in the healthcare system, and will also be aimed towards faster and higher-quality citizen information.

Within the Project *Evaluation of Public Health Services in SEE Countries* a National Report was drafted on public healthcare services.

LEGAL FRAMEWORK

As regards the legal framework in the recent period, comprehensive work was done in completing the legal framework towards aligning the national legislation in the public health field. Several laws and bylaws were adopted on tobacco use-related issues, communicable diseases, blood safety, human tissues and cells, addictions, non-communicable diseases; furthermore, 15 preventive programmes to be implemented in 2008 were adopted.

INSTITUTIONAL FRAMEWORK

Public health

Key institutions in the area of public health are the following:

- The Ministry of Health – adoption and adoption of laws, bylaws, programmes etc.
- The State Sanitary and Health Inspectorate – monitoring the implementation of measures for prevention and elimination of communicable diseases; keeping records in the area of health; etc.
- The Republic Institute for Health Protection – Skopje, as well as 10 Regional Institutes for Health Protection;
- The State Institute of Transfusion Medicine – competence in the blood safety and quality standards fields as well as regarding safety in collecting, testing, treatment, keeping, and distribution of human blood
- Psychiatric hospitals, General hospitals, Services for prevention and treatment of drug addictions; Mental Health Centres; Clinics and Institutes – Skopje, etc.

SHORT TERM PRIORITIES

LEGAL FRAMEWORK

PUBLIC HEALTH

The Law on Protection of Patients' Rights was drafted by which aligning of legislation is performed with relevant international documents.

The drafting is planned of a new law on health protection, in which a separate chapter will refer to public health, as well as the adoption of the Law on Health Records Keeping which will represent a legal foundation of reforms in the system of health data safeguarding. Drafting and adoption are planned of the Republic of Macedonia's Health Strategy for the period by 2020, to be based on the WHO strategy on *Health for Everybody in the 21st Century*

TOBACCO

A new Law on Protection Against Smoking is envisaged to be adopted, which will introduce fines towards smoking prevention.

Communicable diseases

The completion in the drafting of legislation on communicable diseases is planned to be done by the adoption of bylaws deriving from the Law on Protection of the Population against Communicable Diseases; amendments are planned to this Law for the purpose of supplementing the list of communicable diseases subject to obligatory reporting, as well as the establishing of a legal framework for obligatory syndrome reporting in accordance with the EWRN (ALERT) project. Amending the Law will enable implementing the EU measures of 31998D2119, 32000D0057, 32000D0096, and 32004R0851.

The adoption of the National Strategy for Tuberculosis Control in the Republic of Macedonia, 2007-2001 is planned, as well as of the Action Plan on Reducing the Stigmata of Tuberculosis.

Also, implementation is planned of preventive annual programmes originating from the Law on Health Protection; in the 2008 Immunisation Programme, introducing of a new vaccine of Hib (Haemophilus influenza type B) is planned in the regular immunisation calendar of children aged by 18.

For the purpose of harmonisation with requirements laid down in the International Health Rulebook, initiation is planned of the process of evaluation of laboratory capacities and staff resources.

Non-communicable diseases

In the area of non-contractual diseases, the adoption of the Strategy for Non-Communicable Diseases is planned. Implementation of the annual Programme for covering the costs will be performed continually for patients treated with dialysis, for providing drugs to patients with transplants and for providing cytostatics, insulin, growth hormone and for treating patients with haemophilia; Implementation is also carried out of the Annual Programme for early discovery and prevention of women reproductive organ diseases, the Programme for health protection of persons with mental disorders, as well as of the Programme for active health protection of mothers and children in the Republic of Macedonia for 2008, within the frames of which thyroid screening is performed with newly born infants, the Programme for early discovery and prevention of diseases of reproductive organs in women in the Republic of Macedonia for 2008, the Programme for early discovery, diagnosing and treating breast cancer in the Republic of Macedonia for 2008.

The activities of the campaign "Health for Everybody" implemented in 2007 were transformed to regular annual preventive medicine programmes.

The adoption of the Strategy on sexual and reproductive health as well as of the Strategy on adolescent health is also planned.

Safety of blood, human tissues and cells

The adoption is planned of bylaws originating from the Law on Safe Blood Supply, as well as the transformation of the healthcare system regarding services of the transfusiology, in accordance with the Law on Safe Blood Supply.

The adoption is planned of the Law on Medically Assisted Fertilisation whereby the EU measure 32004L0023 will be transposed.

Addiction diseases

Implementation is anticipated of the National Strategy for diminishing harmful effects of alcohol abuse on the health of the population in the Republic of Macedonia (2008-2012), the National Strategy on HIV/AIDS 2007-2011, as well as continuous implementation of activities within the Annual Programme on healthcare of persons with addiction diseases in the Republic of Macedonia.

INSTITUTIONAL FRAMEWORK

Initiated reform processes and the volume of the obligations undertaken impose the need of strengthening capacities within the Sector for European Integration and the Sector for Normative and Legal Matters with two new employees in each.

Communicable Diseases

With the changes of systematisation in the Ministry of Health, the Sector for Primary and Preventive Health Protection was transformed into the Sector for Preventive Health Protection with two units: one for communicable diseases and epidemic control, and the other for non-communicable diseases, environment and health promotion. Staffing of both units is planned with new employees in each.

Strengthening of capacities at the RIHP (Republic Institute for Health Protection) is planned, in its Sector for epidemiology and microbiology, by employing epidemiologists.

Addiction diseases

Within the seven centres dealing with addiction disease curing and treatment, staffing needs to be performed in order to provide for successful operation.

Non-communicable diseases

A new institution is planned to be established – the Centre for Mental Health - to emerge from the existing Psychiatric Hospital. By setting up this Centre, de-institutionalisation will be achieved as well as re-socialisation of persons with mental health problems. The Centre for Mental Health will be established as a public health institution to handle patients on a regional basis. For the purpose of establishing this centre, current human resources will be used. Additional training is needed for work with people with mental health problems, with emphasis laid on their inclusion in the local community.

The setting up is planned of 3 new Centres for Mental Health to maintain regional approach to other regions in the country and to psychiatric wards in general hospitals. By establishing these centres de-institutionalisation and re-socialisation of persons with mental health problems will be achieved. Additional staffing of these centres with psychologist and therapist in each is needed.

For the purpose of implementation and managing in terms of already initiated reforms in the hospital area, staff strengthening is needed of the Sector for secondary and hospital health protection at the Ministry of Health with new employees, as well as of the Republic Institute for Health Protection with new employees (specialists in social medicine or Masters of Science in public health).

MID-TERM PRIORITIES

LEGAL FRAMEWORK

In mid-term, continuous efforts will be made towards alignment of the national legislation with the EU legislation by means of adopting bylaws to the Law on Records Keeping and the Law on Medically Assisted Fertilization.

Continuous implementation will also follow of Annual Programmes emerging from the Law on Health Protection, of the 2005-2012 National Strategy on Mental Health in the Republic of Macedonia, the National Strategy on HIV/AIDS, and the National Strategy on Diminishing the Harmful Effects of Using Tobacco and Tobacco Products, Strategy on Diminishing the Harmful Effects from Alcohol Abuse to the Health of the Population in the Republic of Macedonia (2008-2012)

INSTITUTIONAL FRAMEWORK

Communicable diseases

Staff strengthening is planned of the Sector for Preventive Health Protection with two employees in each 2009 and 2010, as well as of the Republic Institute for Health Protection with new employees in each 2009 and 2010.

Addiction Diseases

In view of the anticipated need of increasing the number of centres for addiction disease curing and treatment, as well as for the purpose of enabling proper functioning of these centres in two shifts, staff strengthening of these centres is required with more employees in 2009 and in 2010.

Non-communicable diseases

As a part of activities related to the implementation of the National Strategy on Mental Health, the setting up is envisaged of 7 new institutions – Mental Health Centres – to originate from the remaining psychiatric hospitals in the country and from psychiatric wards at General Hospitals. For the purpose of additional staffing, new employments are necessary: 3 employees at each of the newly opened centres.

For the purpose of implementation and management of reforms in the hospital field, staff strengthening is needed at the Sector for Secondary and Hospital Health Protection within the Ministry of Health with another new employees in the course of 2009 and 2010.

3.29 CUSTOMS UNION

3.29.1 CUSTOMS LEGISLATION

CURRENT SITUATION

The Republic of Macedonia in 2005 established a customs system similar to the customs system of the European Union. With the adoption of the Customs Law and the Decree on implementation of the Customs Law, which started applying as of 1 January 2006, a high level of compliance of our legislation with the legislation of the European Union was achieved. With the purpose of harmonisation with the most recent amendments to the European Union Customs Code (32005R0648), especially in the part of introducing the concept of authorised economic operator, amendments to the Customs Law and the Decree on implementation of the Customs Law have been drafted. In addition to this, the amendments contain provisions specifying and simplifying the manner and the criteria of adoption, amendments and abolishment of approvals by the Customs Administration and a definition is introduced of a person with higher (financial) risk.

In 2007 the Law Amending the Law on Customs Administration and the Law Amending the Law on Customs Measures for Protection of Intellectual Property Rights were adopted, and were fully harmonised with the provisions of the Law on Misdemeanours whereby the Customs Administration of the Republic of Macedonia became exclusively in charge of running a misdemeanour procedure regarding customs misdemeanours.

To the end of further reduction of administrative barriers and costs of the private sector, amendments to the Law on Administrative Fees were adopted, which abolish a large number of fees charged when issuing approvals.

In order to enable the application of the provisions in the Customs Law envisaging an opportunity to reduce the amount of guarantees that the holders of approval must submit to the Customs Administration for securing the potential debt, the Decree on implementation of the Customs Law was amended.

The Government of the Republic of Macedonia adopted a Decree on applying the Regulations of the European Commission on classifying certain goods in the Combined Nomenclature, thus enabling transposition of the European Regulations and further adjustment of the Macedonian legislation with the EU acquis.

To the end of further harmonisation with the *acquis communautaire*, amendments were adopted to the Rulebook on the type and amount of the customs fees for rendered services during customs procedure, abolishing the EUR 40 fee for binding tariff information and the EUR 15 fee for TIR carnet, also abolishing and reducing a large number of other duties.

To the end of further harmonisation of the customs legislation with the EU *acquis*, the Government adopted the Decision on the manner and the procedure of allocation of goods within the tariff quotas, thus meeting the obligation to abandon the auction method as a manner of distribution of quotas.

The Government of the Republic of Macedonia adopted a Decision on early application of the Protocol to the Stabilisation and Association Agreement between the Republic of Macedonia on the one hand and the European Communities and their Member States on the other, enabling early application of Protocol 4, the cumulation provisions, in addition to the materials originating from the Community and the Republic of Macedonia, also include materials originating from the countries involved in the stabilisation and association process of the EU and materials originating from Turkey.

To the end of approximating the customs system of the Republic of Macedonia to the system of the European Union, the Republic of Macedonia submitted a letter of intentions for accession to the Convention between the European Economic Community, the Republic of Austria, the Republic of Finland, the Republic of Iceland, the Kingdom of Norway, the Kingdom of Sweden and the Swiss Confederation on common transit procedures and the Convention between the European Economic Community, the Republic of Austria, the Republic of Finland, the Republic of Iceland, the Kingdom of Norway, the Kingdom of Sweden and the Swiss Confederation on simplification of the formalities in the trade in goods.

To the end of accelerating the economic development by attracting foreign and domestic capital for development of new technologies and their application in the national economy, increasing competitiveness of the Republic of Macedonia on the foreign trade market, increasing the export and employment, in February 2007 the Law on Technological Industrial Development Zones was adopted (Official Gazette of the Republic of Macedonia No. 14, dated 7 February 2007). In October 2007, the Law Amending the Law on Technological Industrial Development Zones was already submitted in parliamentary procedure.

In July 2007 an Agreement was signed between the Government of the Republic of Macedonia and the Government of the Republic of Slovakia for Cooperation and Mutual Assistance in Customs Matters and in September 2007 the Agreement for

Cooperation and Mutual Assistance in Customs Matters was signed between the Government of the Republic of Macedonia and the Cabinet of Ministers of Ukraine.

INSTITUTIONAL FRAMEWORK

The institution responsible for implementing the customs legislation is the Customs Administration of the Republic of Macedonia, as a body within the Ministry of Finance. The Customs Administration is responsible for the control of goods that pass the border line of the legal border crossings and for many other competences resulting from the new laws and regulations. After the independence of the Republic of Macedonia, a large number of new customs offices were formed in the internal part and at the borders, especially the one in the part with Serbia and Kosovo.

It is of special importance to refer to the Protocol 4 concerning the definition of the concept of "Originating Products" and the methods of administrative cooperation and Protocol 5 on mutual administrative assistance in customs matters, which are an integral part of the Stabilisation and Association Agreement. Protocol 4 defines the concept of „originating products" in the trade between the Republic of Macedonia and the European Union, based on the Community Customs Code, while Protocol 5 sets the conditions for mutual cooperation in customs matters.

In 2007 the Customs Administration adopted operating guidelines on transit and organised training in transit procedures for the customs officers, transporters and forwarding agents.

In 2007 the Customs Administration adopted a strategy for training and professional qualification of customs officers, as well as a 2007 Training Programme.

For more efficient implementation of the strategic goals for prevention of corruption, the Customs Administration adopted a Strategy for integrity and fight against corruption in the Customs Administration (harmonised with the objectives of the Arusha Declaration) with an Action Plan with deadlines for implementation of the Strategy objectives.

In October 2007 the Director of the Customs Administration and the President of the Organisation of the Customs Trade Union signed a Code of Conduct in the Customs Administration as an integral part of the Collective Labour Agreement in the Customs Administration.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

During 2008, the activities of the Customs Administration of the Republic of Macedonia will be concentrated on further harmonisation of the legislation and strengthening of the administrative capacity for implementation of the customs legislation and fight against cross-border crime.

The novelties envisaged by the Customs Law will ensure building a customs system that would provide timely and efficient collection of customs and other duties and prevention of the entry of illegal goods, which would contribute to facilitation of international trade and sustainable economic development. Creating conditions for efficient implementation of regulations, building appropriate control mechanisms and simultaneous development of simplified procedures and facilitations in the implementation of customs procedures is possible only if there is a clear and standardised definition of the rights and obligations of all participants in the customs procedure, which was achieved with this Law.

The following are set as further objectives for harmonisation of the legal framework: introduction and implementation of the concept of authorised economic operator, introduction of simplified procedures and signing of contracts for cooperation with the authorised economic operators, ratification and application of international conventions relevant for customs operations.

INSTITUTIONAL FRAMEWORK

In 2008 activities will be undertaken so as to promote the concept of authorised economic operators, including organisation of training, seminars and presentations, developing modules for e-learning and distance learning. Activities will be undertaken so as to further intensify the promotion of the possibility to use simplified procedures and to sign agreements for mutual cooperation between the Customs Administration and the business community.

The Customs Administration will continue the implementation of the Single Window and One-Stop-Shop (SW/OSS) concept for import and export on the basis of prepared and adopted concept and elaboration of its implementation.

The Customs Administration will continue the activities for promoting cooperation and exchange of data with domestic and foreign institutions for fight against illicit trade and organised crime. Activities will continue to establish electronic exchange of data with domestic institutions and the neighbouring customs services and a legal framework will be established by signing memoranda/protocols.

The 2008 Action Plan of the Customs Administration envisages activities regarding the selection, procurement and implementation of software for processing customs declarations and establishment of a new ICT system (above all, preparation of the national domain). The preparation of the necessary documentation with a description of the required user and technical setup of the Customs Declarations Processing System (CDPS) will be realised through an engagement of consultants through the European Commission.

With regard to the interconnections with the EU systems, in 2008 it is envisaged to prepare NCTS and ITMS projects, as well as to prepare ICT strategic documents and above all, IIS strategy (Interoperability Implementation Strategy). Trainings are envisaged with regard to the TEMPO methodology, realisation of organisational changes within the sector (Help Desk and project management).

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The Customs Administration will implement a large number of analyses of the provisions of the European legislation which is directly applicable for the Member States in the area of customs, but which leaves a possibility for the Member States to decide on individual cases which are relevant for implementation and supervision of the system.

The areas of the customs legislation that will remain non-harmonised after the first review will be finally harmonised following the second review of the customs legislation, which means that the Republic of Macedonia will start their implementation as part of the acquis on the day of accession into the European Union. These areas refer especially to the following: rules for the origin of goods - adoption of the rules for non-preferential origin of goods and the rules implemented by the European Union related to occupied territories and the rules for implementation of GSP; special rules and documents implemented regarding the customs goods transported among Member States; special rules for exchange of different types of information on the implementation of customs regulations between Member States, or between the Member States and the Commission; special rules that are part of the implementation of the Common Agricultural Policy.

Prior to accession into the European Union, it is necessary to make a verification of the network of bilateral agreements for mutual assistance and cooperation, especially regarding the transfer of competencies from the national to the European institutions. At the same time, on the day of accession into the European Union, the Republic of Macedonia will undertake all international agreements that the European Union has concluded with third countries.

INSTITUTIONAL FRAMEWORK

Having in mind the importance of the excise duties for the financial stability of the country, the adjustment to the European legislation, the manner of collection and the similarity of collection and control of the excise duties with the customs duties, in all EU countries, the collection of excise duties throughout the territory of the states is carried out by the customs services. To the end of proper and efficient running of the overall system of collection of excise duties by the Customs Administration throughout the territory of the Republic of Macedonia and assuming the collection of excise duties, strategic objectives and an action plan will be developed for transferring the competences for collection of excise duties to the Customs Administration throughout the territory of the Republic of Macedonia.

The reorganisation of the customs service will enable: adoption of comparable legislation regarding the organisation and competencies of the customs authorities; provision of high degree of cooperation among the customs, tax and other state services; establishment of efficient customs control, especially in the part of smuggling and collection of public duties; highly-qualified and motivated employees with high degree of responsibility and regulated status, salaries, training and promotion opportunities, support of an information system comparable with the structure of the Community Information System.

3.29.2 ADMINISTRATIVE AND OPERATIONAL CAPACITY

CURRENT SITUATION

LEGAL FRAMEWORK

To the end of modernisation and strengthening of the capacity of the Customs Administration, facilitation of legal trade and creation of favourable environment for domestic and foreign investments, significant reduction of corruption in the customs service, improvement of the overall effectiveness of the Customs Administration in line with the requirements for accession into the European Union, as well as for the purpose of significant increase of customs revenues for the time of duration of the Agreement (2 years) by improving the observance of the regulations and reduction of expansion and consequences of grey economy, the Ministry of Finance signed an Agreement for Engagement of a Consulting Company in the Customs Administration.

To the end of strengthening the institutional capacities, ensuring border safety, as well as the existing activities aimed at eradication of crime in the country and the region, the Agreement for procurement of 4 (four) x-ray systems for control of large-size

vehicles and containers was signed in August 2007, which is expected to contribute to the following: increased collection of import duties, protection against import of illegal goods, acceleration of the flow of goods and more efficient customs procedure.

INSTITUTIONAL FRAMEWORK

In the course of 2007, pursuant to the legal amendments, and to the end of strengthening the capacity for enforcement of the customs legislation, a Department on Misdemeanours – Misdemeanour Commission was established in the Customs Administration, which was partially equipped, and internal acts on the manner and procedure of the customs authorities were adopted.

The Customs Administration established an expert group for simplified procedures to the end of promoting and developing these procedures, i.e. facilitation of trade, reduction of operating costs, establishment of close cooperation, partnership relations and a relation of confidence between the customs authorities and the business community.

The Customs Administration initiated urgent activities with respect to the selection, procurement and implementation of software for processing customs declarations and setting up a new ICT system. Logically, it sets priorities and norms focused, above all, towards the EU systems and standards. This means:

- (National setup) - high-quality software solutions that support the bases of the nation-wide customs operations by fully accepting the EU legislation and the EU standards in the ICT operations, as well as a compatible e-government solution.
- (Setup according to the EU systems) - such setup of national configuration and system should be fully and directly focused on the EU systems.

With respect to the National Setup, it is envisaged to engage consultants for preparation of the necessary documentation, describing the necessary user and technical setup of the system for processing customs declarations.

Regarding the interconnections with the EU systems, under IPA 2007, the ICT component was prepared by preparing NCTS and ITMS projects, as well as drafting ICT strategic documents and, above all, IIS Strategy (implementation of interoperability). Training is also envisaged regarding TEMPO methodology, as well as realisation of adequate organisational changes within the sector (Help Desk and project management).

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

To the end of creating better conditions for the Macedonian economy to compete on the global markets, it is of significant importance to establish a new customs ICT system, to enable electronic exchange of information and to ensure connection to trade by using modern technology. According to the 2008-2010 strategic plan, activities will be intensified related to strengthening of the administrative capacity for implementation of the customs legislation and preparation of the country for EU membership. To that end, activities will be undertaken for adoption of the *acquis communautaire*, harmonisation of the national legislation with the EU legislation and building capacities for efficient control at external borders.

INSTITUTIONAL FRAMEWORK

The Customs Administration will continue the activities aimed at improving the risk management system and will work on introducing working criteria and standards and efficient exchange of data. In the future, the process of selecting risk profiles is expected to be automated by introducing a system for centralised electronic administration of all operational activities in the Customs Administration for the purposes of risk analysis, statistics and intelligence.

Plans for enhancing the capacity for carrying out post clearance audit will be developed, thus reducing the number of audits during clearance.

The Customs Administration will carry out reforms of the training system and will adjust it to the new requirements and needs by applying contemporary methods and techniques, which will ensure greater efficiency and better training results, as well as cost-effectiveness of the process (electronic and distance learning).

During 2008, special attention will be placed on taking over the management and maintenance of border crossings, as well as development and modernisation of the existing places determined by the Customs Administration as working premises to carry out the customs procedure.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Contemporary methods for clearance of goods, by introducing simplifications and transfer to paperless operations, require additional efforts and activities by the customs service for efficient collection of duties and implementation of trade policy measures. To that end, it is envisaged to introduce integrated customs and statistical nomenclature of the European Union (TARIC), strengthen the surveillance mechanisms by introducing video monitoring at the border crossings, introduce a system for collection of excises throughout the Republic of Macedonia, improve the risk management systems, modernise the border crossings to the

end of better implementation of integrated border management and enhance the cooperation with other state institutions and inspection services.

From ICT point of view, full interconnection with the EU systems (CCN/CSI and NCTS) and continuation of the procedures for interconnection with other EU systems are envisaged on the medium term. Thereby, the Customs Administration, via continuous adjustment of the ICT Strategy, will commit to acceptance of the priorities with regard to the new European systems (AES, AIS), as well as provision of legal and technical preconditions regarding the security of the ICT system, support to paperless solutions, implementation of the electronic data exchange, set up of a risk management system, defined, above all, in Regulation 32005R0648.

INSTITUTIONAL FRAMEWORK

One of the strategic priorities of the Customs Administration of the Republic of Macedonia in the period 2008-2010 is the introduction of integrated tariff of the EU (TARIC), which, through an encoding system, identifies all tariff and non-tariff measures to be applied on certain products. In the course of 2008, activities will be commenced pertaining to introduction of the integrated tariff of the EU – TARIC. During this period, introduction of a computer software for receipt, update and overview of the TARIC database is planned, which will contain all information on all measures that need to be undertaken by the customs service at the time of importation of certain goods from certain countries.

With regard to the role of the customs laboratory regarding the control of certain substances depleting the ozone layer, the environment, the toxins, drugs and other psychotropic substances, as well as with regard to the quality of goods during import and export, establishment of modern equipped laboratory is envisaged, which would operate under standardised methods in accordance with the rules of good laboratory practice and the ISO 9001 standards. A study thereon is planned to be prepared in the first quarter of 2008.

The Customs Administration will establish electronic system for early notification on the arrival of goods in the customs territory, as well as efficient system for electronic communication between the border terminals and between the border and internal terminals.

FOREIGN ASSISTANCE

The Customs Administration of the Republic of Macedonia participates in several activities for operational technical assistance in the area of trainings for the employees, as well as in the area of improvement of the technical equipment of the Administration. Technical assistance is realised through the bilateral twinning with the Customs Administration of the Kingdom of the Netherlands in the period 2005-2008, in the amount of EUR 500,000. This type of twinning with the Customs Administration of the Kingdom of the Netherlands is being realised and technical assistance is envisaged in the following areas: inward processing, protection of rights to intellectual property, origin of goods and customs value.

The Customs Administration applied certain forms of technical assistance within the EU CARDS Programme (CAFAO-MAK), through the CAFAO-MAK Project in the Republic of Macedonia. Taking into account that operations and technical assistance under CAFAO-MAK were completed by the end of 2007, the Customs Administration submitted a project fiche (which has been approved) to the Delegation of the European Commission in the Republic of Macedonia for utilisation of funds under the 2007 IPA Programme. Activities are to be realised in the course of 2008. The project fiche emphasises the need for support by the EU (through the future IPA funds) within the frames of the "Project for Support to the Implementation of the Strategy for Customs Reforms" that would last 18 months, amounting to approximately EUR 3,000,000. The draft project fiche contains proposals for support through 3 sub-projects: (1) harmonisation of the customs legislation in the Republic of Macedonia with the EU acquis, (2) strengthening the border controls - strengthening the capacities in the fight against frauds, corruption and drug smuggling, and (3) IT systems enhancement.

Within the frames of the process of approximation to the EU acquis, the Government of the Republic of Macedonia submitted Letters of Intent for accession to: the Convention between the European Economic Community, the Republic of Austria, the Republic of Finland, the Republic of Iceland, the Kingdom of Norway, the Kingdom of Sweden and the Swiss Confederation on the common transit procedure dated 20 May 1987 and its amendments, and the Convention between the European Economic Community, the Republic of Austria, the Republic of Finland, the Republic of Iceland, the Kingdom of Norway, the Kingdom of Sweden and the Swiss Confederation on simplification of formalities in trade in commodities dated 20 May 1987 and its amendments. To that end, the Customs Administration prepared a draft project on Support to the Customs Administration of the Republic of Macedonia for accession to the Convention on Common Transit and implementation of New Computerised Transit System (NCTS), by using resources from the funds under the 2008 IPA Programme. The project comprises two sub-components: (1) Twinning Project "Implementation of the New Computerised Transit System (NCTS) - Management Support", in the amount of EUR 1,000,000 and (2) Adjustment and implementation of the New Computerised Transit System (NCTS), in the amount of EUR 2,000,000.

3.30 EXTERNAL RELATIONS

3.30.1 COMMON COMMERCIAL POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

Republic of Macedonia has ratified the Agreement on Amending and Accession to the Central European Free Trade Agreement – CEFTA 2006 (Official Gazette of the Republic of Macedonia No. 69/07) and started implementing it with four of the countries which have also signed the Agreement since 26 July 2007. CEFTA 2006 entered into force for all of the contracting states on 22 November 2007.

In 2007, Republic of Macedonia became the first chairman of CEFTA 2006 and four meetings were held therein. To the end of become informed with the possibilities offered by this Agreement, several presentations were held for the business community in the country within the framework of the regional economic cooperation.

Protocol 2 - Definition of the concept of originating products and methods on administrative procedure in accordance with the Free Trade Agreement between the Republic of Macedonia and the Republic of Turkey - was ratified in 2007, which completed the harmonisation of the last amendments of the European Rules of Origin. Protocol 2 entered into force on 1 August 2007 (Official Gazette of the Republic of Macedonia No. 68/07).

The Law on Trade (Official Gazette of the Republic of Macedonia No. 63/07) incorporating the provisions on anti-dumping measures was amended and the bylaw - Decision on the procedure and the manner of establishing the anti-dumping duties was adopted (Official Gazette of the Republic of Macedonia No. 109/07) in 2007.

The Law on Control of Export of Dual-Use Goods and Technology (Official Gazette of the Republic of Macedonia No. 82/05), repealing the List of Countries for which "the end-user certificates" are not required, was amended. The List will be implemented with the accession of the Republic of Macedonia to the European Union .

INSTITUTIONAL FRAMEWORK

The Sector for World Trade Organisation and Export Trade Regime and the Sector for International Trade Cooperation within the Ministry of Economy, the Ministry of Finance, the Macedonian Bank for Development Promotion and the Customs Office of the Republic of Macedonia are responsible for implementing the trade policy.

SHORT-TERM PRIORITIES

Republic of Macedonia will follow the ongoing negotiations in the World Trade Organisation and will participate in the relevant areas of interest. In this context, Macedonia will support and promote the positions recognising a more favourable status for the recently acceded members of the WTO. Also, as an EU candidate country, Republic of Macedonia will continue to harmonise its positions with the European Union concerning areas on which there are ongoing negotiations.

Republic of Macedonia will continue with the implementation of CEFTA 2006 and the implementation of the Free Trade Agreements with: EFTA, Turkey and Ukraine.

The trade exchange between the Republic of Macedonia and the Mediterranean countries will be analysed within the possibilities offered by the Pan-European-Mediterranean cumulation, in order to initiate negotiations for signing a Free Trade Agreement with a Mediterranean country.

The List on Dual-use Goods and Technologies will be amended in 2008, in order to be harmonised with the new Council Regulation (EC) No. 1183/2007.

INSTITUTIONAL FRAMEWORK

In order to strengthen the institutional capacities, it has been foreseen to increase the number of employees in the Ministry of Economy, Sector for International Trade Cooperation and in the Ministry of Finance, Sector for Financial System, with one more employee in each institution in 2008 and 2009, as well as organise training for the civil servants.

MEDIUM-TERM PRIORITIES

Republic of Macedonia will proceed with its activities concerning the harmonisation of the national with the EU legislation, in such areas where it is necessary, as the European Union legislation in the area of external relations is in most parts directly binding.

Republic of Macedonia will continue with the implementation of CEFTA 2006 and the implementation of the Free Trade Agreements with: EFTA, Turkey and Ukraine.

Within the framework of the medium-term priorities, Republic of Macedonia will sign a Free Trade Agreement with a Mediterranean country.

The Law on establishing the Macedonian Bank for Development Promotion will be amended by 2010, in the direction with the harmonisation of its status and functions as a state-owned development and export bank and in accordance with European Union law. Also, Council Directive 98/29/EC and Council Directive 84/568/EEC of 27 November 1984 concerning the common principles and criteria of the EU Member States in the area of export credit insurance will be transposed in the national legislation by 2010.

In a medium-term period, MBDP intends to start purchasing receivables, factoring and forfeiting, as well as provide financing and insurance for medium-term and long-term export projects in cooperation with foreign insurance agencies.

The existing administrative capacities for implementation of foreign policies will be continuously strengthened.

3.30.2 BILATERAL AGREEMENTS WITH THIRD COUNTRIES

CURRENT SITUATION

LEGAL FRAMEWORK

The Republic of Macedonia has already signed 27 bilateral agreements on promotion and reciprocal protection of investments (APIs) with third countries which are in force, 13 of which were concluded with Member States of the European Union.

INSTITUTIONAL FRAMEWORK

The Sector for International Trade Cooperation within the Ministry of Economy and the Sector for Financial System within the Ministry of Finance are primarily responsible for the bilateral agreements with third countries.

SHORT-TERM PRIORITIES

The activities for analysing the agreements on trade and economic cooperation will commence in order to harmonise them with the EU legislation.

The Ministry of Finance will undertake activities to initial APIs with Norway, Portugal, Slovakia, Luxemburg, Iceland, Malta, Cyprus, Latvia and Estonia in 2008, which will complete the European regional network.

MEDIUM-TERM PRIORITIES

Republic of Macedonia will proceed with its activities for analysing the agreements on trade and economic cooperation in order to harmonise them with the EU legislation. Based on these analysis, a table defining the foreseen manner to harmonise the agreements in four groups will be drafted as follows: the agreement has already been terminated, the agreement will be terminated, the agreement will not be terminated and will be amended and the agreement will not be amended, nor terminated (meaning it is aligned with the EU).

The activities for signing and ratifying the harmonised APIs with Greece, Great Britain and Northern Ireland, Uzbekistan, Denmark and India, including the Protocols for amending the APIs with Romania, Bulgaria and the Czech Republic will continue.

The activities for strengthening the administrative capacities will also continue.

3.30.3 DEVELOPMENT POLICY

CURRENT SITUATION

Within the systematisation of the Ministry of Foreign Affairs in 2007, a new unit was established in the Sector for Multilateral Economic Relations which should, among other tasks, follow the EU directions on the development cooperation policy framework, so that the Republic of Macedonia may prepare itself for the next activities.

SHORT-TERM PRIORITIES

Analysis of the EU legislation on development cooperation and exchange of Member States experiences have been foreseen for 2008 and 2009, in order to prepare an adequate legal framework for implementation of a development cooperation policy.

MEDIUM-TERM PRIORITIES

In accordance with the need for strengthening the activities in other areas of external relations, the activities concerning the development policy are mainly foreseen within the framework of the medium-term priorities (2010-2012).

An interministerial body has been anticipated within the development policy activities, which should identify the most appropriate institutional model for the Republic of Macedonia, and accordingly propose its inclusion in the legislation. Afterwards, the Law on Implementation of Development Policy, harmonised with the EU regulations in this area, will be proposed.

Beside the adoption of the Law, it is required to define the criteria for indentifying a smaller group of countries with which Republic of Macedonia would establish a long-term cooperation, the methodology on calculating the granted assistance and introduction of a mechanism to consolidate the data on the granted development cooperation, as well as the establishing cooperation with NGOs involved in development cooperation activities. At the same time, cooperation should be established and memoranda of cooperation should be signed with other Member States or specialised units in other countries for implementation of trilateral projects.

3.30.4 HUMANITARIAN AID

CURRENT SITUATION

LEGAL FRAMEWORK

Granting humanitarian aid to third countries falls under the competency of a unit within the Sector for Multilateral Economic Relations in the MFA. There is a unit within the Secretariat of the Government of the Republic of Macedonia in charge of the cooperation with NGOs, including such involved in humanitarian aid activities.

SHORT-TERM PRIORITIES

Concerning humanitarian aid, an interministerial working group for humanitarian aid was established to draft the new Law on Associations of Citizens and Foundations. Part of the amendments to this Law are focused on allowing and registration of public interest organisations, as a new form of association of citizens. Public interest organisation is an organisation which activities support or promote the public interest in one or several areas, including humanitarian aid and objectives, aid to refugees. An independent interministerial commission will determine the status of a public interest organisation in accordance with predefined criteria. The public interest organisations are regulated in special chapter of the Draft Law, and it has been foreseen to register them in a separate Register of the Basic Court Skopje.

MEDIUM-TERM PRIORITIES

In accordance with the need for strengthening the activities in other areas of external relations, the activities concerning humanitarian aid are mainly foreseen within the framework of the medium-term priorities (2010-2012).

The legal framework covering NGOs and public interest organisations involved in humanitarian aid activities will be supplemented in accordance with the EU Acquis covering this area. Should it be realised that a separate Law on Humanitarian Aid is needed, the text will be drafted accordingly in order to pass the adoption procedure during 2010. This will define the humanitarian aid, the manner and conditions under which the Republic of Macedonia will provide adequate capacities to participate in the EU humanitarian aid policy in accordance with the Council Regulation (EC) No 1257/96.

The existing institutional capacities will be strengthened and adapted in order to achieve the stated goal - participation of the Republic of Macedonia in the EU humanitarian aid policy.

3.31 FOREIGN, SECURITY AND DEFENCE POLICY

3.31.1 ESDP

CURRENT SITUATION

The Republic of Macedonia regularly participates at informal meetings of Ministers of Defence of EU Member States in Troika format, as well as at meetings of the EU Military Committee.

Republic of Macedonia continues to contribute to the EU's *Althea* military mission in Bosnia and Herzegovina by deploying helicopter and medical units including additional staff being part of the EUFOR Command. In accordance with the changes of the helicopter detachment fourth rotation (January, 2008), the current contribution of the Republic of Macedonia to *Althea* consists of 24 staff and one transport helicopter Mi-8/17 (12 staff as part of the helicopter detachment, 10 medical staff, 1 assistant legal advisor, and 1 preventive medicine junior officer). At the moment, the fourth rotation of the helicopter detachment, the third rotation of the medical team and the second mandate of the legal advisor are ongoing and, in February 2008, a preventive medicine junior officer was assigned for the first time.

The Law on Assigning Officials to International Missions and International Organisations, regulating the procedure of selecting and assigning officials to international missions and international organisations, such officials' salaries, their legal and social status, etc., entered into force on 20 December 2007. (adopted by the Assembly of the Republic of Macedonia on 3 December 2007)

An employee at the CFSP Unit within the Ministry of Foreign Affairs has been tasked to monitor the development of ESDP and coordinate the Republic of Macedonia's activities in this regard .

An ESDP Unit was established within the Ministry of Defence and a Head of Unit was appointed.

The Crisis Management Register of Entities and Contact Persons was established within the Crisis Management Centre. Regarding the Project on Implementing a Single Communications and Information System, the Decision concerning the manner and schedule of setting up the E-112 in the Republic Macedonia was adopted (Official Gazette of the Republic of Macedonia No.19/07) and an interministerial team to develop the relevant conceptual design was established.

The Republic of Macedonia participates in the ESDP Training Programme, intended for countries involved in the Stabilisation and Association Process, with representatives from several institutions (the Assembly of the Republic of Macedonia, the Ministry of Foreign Affairs, the Ministry of Defence, Ministry of the Interior, the Secretariat for European Affairs, the Crisis Management Centre, the Institute for Defence and Peace Studies). The Programme was initiated by Austria, Germany, Slovenia and Hungary and covers the 2006/2007-2008/2009 periods. In February 2007, the Republic of Macedonia hosted and co-organised a Programme's module dealing with the introduction to EU's military and civilian capacities for crisis management, civilian-military coordination, fight against terrorism, and reforms in the security sector.

SHORT-TERM PRIORITIES 2008

LEGAL FRAMEWORK

In accordance with provisions contained in the Law on Assigning Officials to International Missions and International Organisations, MFA will have adopted required bylaws by 30 June 2008: the Interministerial Commission's Rules of Procedure and the Rulebook on Assigning Officials to Short-term International Missions. For the purpose of implementing the policy on assigning officials to international missions and international organisations, MFA initiated the establishing of an Interministerial Commission.

The remaining bylaws deriving from the Law on Crisis Management will be adopted as well.

INSTITUTIONAL FRAMEWORK

Staffing of the ESDP Unit within the Ministry of Defence is planned to take place in the course of 2008.

The Republic of Macedonia will continue to participate via its representatives in the second and third cycles of the ESDP Training Programme intended for countries involved in the Stabilisation and Association Process.

MEDIUM-TERM PRIORITIES, 2009-2010

Staffing of the ESDP Unit within the Ministry of Defence is expected to be completed by 2010. The implementation of the project for introducing the single emergency telephone number for the European Union E 112 in the Republic of Macedonia will be a medium-term priority.

CURRENT SITUATION

The Republic of Macedonia maintains regular political dialogue with the EU on bilateral and multilateral bases.

The Republic of Macedonia continues to adhere to EU's common positions, declarations and statements, with the enforcement of the Law on International Restrictive Measures since 1 June 2007 being of great significance. (adopted by the Assembly of the Republic of Macedonia on 19 March 2007)

In January 2007 the DCIP moved to its new premises meeting EU's and NATO's standards for maintaining classified information ranked to the "state secret" level. New registers were set up for foreign classified information transferring to the Cabinet of the President of the Republic of Macedonia and to the Republic of Macedonia's Mission within the European Communities in Brussels. Amendments to the Law on Classified Information entered into force in September 2007, conferring greater powers to the Directorate and expanding its activity scope to also include national classified information. The installation of the Certified Computer Unit for Access to the EU Network for Electronic Exchange of Classified CFSP Information (ACN) within the MFA is about to be completed.

In terms of activities concerning international organisations, H.E. Ambassador Srgjan Kerim PhD, former Minister of Foreign Affairs of the Republic of Macedonia and former Resident Envoy of the Republic of Macedonia to the UN in New York, was selected President of the UN's 62nd General Assembly. The Republic of Macedonia's Resident Envoy to the United Nations Office at Geneva was selected Chairman of the 2008 Meetings of States Parties to the Biological Weapons Convention.

Republic of Macedonia applied for membership to the Human Rights Council during the 2009-2012 period.

In 2007, the Republic of Macedonia ratified several significant international instruments concerning non-proliferation of weapons:

- The Amendment of the Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed To Be Excessively Injurious or To Have Indiscriminate Effects – CCW,
- The Protocol against the Illicit Manufacturing of and Trafficking in Firearms, their Parts and Components and Ammunition supplementing the United Nations Convention against Transnational Organised Crime,
- The Revised Small Quantities Protocol to the Agreement between the Republic of Macedonia and the International Atomic Energy Agency regarding the carrying out of security measures related with the Treaty on the Non-proliferation of Nuclear Weapons,
- The Additional Protocol to the Agreement between the Republic of Macedonia and the International Atomic Energy Agency regarding the enactment of safeguards in relation to the Treaty on the Non-proliferation of Nuclear Weapons,
- The Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation, and
- The Protocol for the Suppression of Unlawful Acts against Safety of Fixed Platforms Located on the Continental Shelf.

Amendments to the Law on the Control of Export of Dual-use Goods and Technologies stipulating the composition of the Commission for the Export of Dual-use Goods and Technologies were adopted in June 2007. In accordance with the Law on the Control of Export of Dual-use Goods and Technologies, the Ministry of Economy issued ten permits for export of dual-use goods and technologies in 2007. In accordance with internationally undertaken responsibilities, the Republic of Macedonia drafted the following reports:

- The Second National Report concerning the EU Code of Conduct on Arms Exports,
- The 2007 Report on the Implementation of the UN Programme of Action to Prevent, Control and Eradicate of Illicit Trade in Small Arms and Light Weapons in All Its Aspects,
- The Report on the Hague Code of Conduct against Ballistic Missile Proliferation,
- Reports in line with the OSCE Vienna Document, and
- The Report with the UN Register of Conventional Arms.

All reports were submitted to relevant international organisations (UN, OSCE, EC, EU Council) within pre-determined deadlines .

On 19 March 2007, by means of a letter signed by Minister of Foreign Affairs, H.E. Mr. Milošoski, Republic of Macedonia accepted the Global Initiative to Combat Nuclear Terrorism Statement of Principles. The Republic of Macedonia's position concerning the UN GA's Arms Trade Treaty Resolution, according to which the UN Secretary General is to set up a group of governmental experts to determining the feasibility, scope and parameters of the instrument anticipated was submitted to the UN Secretary General in April 2007.

Amendments to the Law on Weapons were adopted in March 2007 (Official Gazette of the Republic of Macedonia No. 42/07). Several clarifications in the area concerning categorisation and typification of weapons were carried out for the purpose of harmonisation with Council Directive 31991L0477, the EU Code of Conduct on Arms Export and the Council's Common Position of

23 June 2003 on the control of arms brokering. In order to plan, monitor and analyse the situation concerning the control of small firearms and light weapons and to coordinate the activities of competent institutions in accordance with the National Strategy on Small Firearms and Light Weapons and the relevant Action Plan, the National Commission for Small Firearms and Light Weapons was established and began its regular operation.

During 2007, staffing was completed of the CFSP Unit being part of the Directorate for the EU within the Ministry of Foreign Affairs, currently operating with one Head of Unit and 3 staff members in place. An EU Law Department was established at the MFA, within the International Law Directorate, with 1 staff. The procedure of employing 1 employee to the EU Law Department and of 1 employee to the Department for Control of Armament within the Directorate for Multilateral Affairs at the MFA is currently underway.

SHORT-TERM PRIORITIES

The Republic of Macedonia will continue to provide its contribution to the promotion of bilateral political dialogue with the EU and to actively participate in multilateral political dialogue with the EU within the framework of the Political Forum EU - West Balkans. It shall continue with the alignment/acceptance of EU legal acts in the area of CFSP. In order to efficiently implement the Law on International Restrictive Measures, by the end of June 2008, the drafting is expected to be completed of an analysis concerning the need for strengthening administrative capacities of Ministries responsible for the carrying out of relevant measures. The Republic of Macedonia will continue to be active in international organisations (UN, OSCE, the Council of Europe, etc.), that being the most efficient way to protect the world peace and enable security in the light of today's global threats – terrorism, proliferation of mass destruction weapons, organised crime, environment pollution, as well as to cope with the economic and social problems and violation of human rights.

For the purpose of harmonisation with the new Council Regulation (EC) No 1183/2007, a Decision is planned to be adopted on amending the List of Dual-Use Goods and Technology by 30 September 2008.

Within DCIP's competencies, drafting is expected to take place of an assessment of security risks and of instructions to be derived from this assessment. In accordance with the Law Amending the Law on Classified Information, the establishing is expected to take place of a Commission to issue rulings on infringements and of an inspector team within the DCIP, including new employments. The DCIP will continue training staff in all institutions handling classified information.

By the end of June 2008 the MFA will have completed an analysis of the provisions in the EU Reform Treaty concerning CFSP/ESDP.

In order to further strengthen MFA's administrative capacity in the field of the NSDP, further staffing and technical equipment procurement are planned to take place by the end of 2008, in particular:

- at the Unit for Common Foreign and Security Policy, one person will be solely responsible for monitoring the implementation of restrictive measures,
- at the Unit for Armament Control,
- at the EU Law Unit,
- 1 diplomat to the Republic of Macedonia's Mission to the EC – Brussels, to be solely responsible for monitoring the CFSP/ESDP.

MEDIUM-TERM PRIORITIES

During the second half of 2010, the Republic of Macedonia will chair the Council of Europe, with the MFA to carry out all necessary preparations.

On the basis of an analysis of provisions contained in the EU Reform Treaty relating to CFSP/ESDP, by the end of February 2009, MFA will have considered any responsibilities likely to occur to the Republic of Macedonia as soon as the Treaty enters into force.

After accession, the Rulebook on the approval form for import of weapons and European document on weapons arising from the Law on Weapons will be adopted.

The necessary staffing and technical equipment upgrading of the Ministry of Foreign Affairs is foreseen to be completed by the end of 2010, as follows:

- in the Common Foreign and Security Policy Department,
- in the Control of the Armament Department,

The following has been foreseen to take place by the end of 2010 within the DCIP's scope of activities:

- continued education of users of classified information in state institutions and other legal entities,

- start of the process of issuing security certificates to legal persons, as well as increasing the security level of communications between DCIP on one side and Republic of Macedonia's Missions to the EU and NATO to strictly confidential.

The Republic of Macedonia will continue striving to find a solution in terms of the EU's suggestions regarding the need to harmonise the country's bilateral agreement with the USA on conditions for extraditing persons to the International Criminal Law Court on one side and EU's leading principles on the other.

3.32 FINANCIAL CONTROL

3.32.1 PUBLIC INTERNAL FINANCIAL CONTROL AND EXTERNAL AUDIT

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework that regulates the system of public internal financial control and external audit in the Republic of Macedonia was supplemented in 2007 with the following legal acts:

- Law on Public Internal Financial Control (Official Gazette of the Republic of Macedonia No. 22/07);
- Law on Internal Audit in the Public Sector (Official Gazette of the Republic of Macedonia No 69/04 and 22/07),
- Rulebook on the basic elements of financial management and control and the standards of internal control in the public sector (Official Gazette of the Republic of Macedonia No. 130/07);
- Rulebook on the form, the contents and the manner of submitting the statement on quality and the status of internal controls (Official Gazette of the Republic of Macedonia No. 8/08);
- Rulebook on organisation and operations of the Ministry of Finance no. 01-8440/1 dated 09 April 2004 to no. 01/8440/6-2004 dated 30 April 2007;
- Rulebook on internal audit published on the website of the Ministry of Finance;
- Law on State Audit (Official Gazette of the Republic of Macedonia No. 65/97, 70/01, 31/03, 19/04, 70/06 and 133/07)
- Programme for taking the exam for acquiring the title certified state auditor published on the website of the State Audit Office;
- Code of Ethics of INTOSAI – published on the website of the State Audit Office;
- Code of business ethics and conduct of the employees in the SAO;
- Memorandum of cooperation between SAO and the IPA Audit Body, August 2007;

1.1 FINANCIAL MANAGEMENT AND CONTROL

CURRENT SITUATION

The Law on Public Internal Financial Control, the Rulebook on the basic elements of financial management and control and the standards of internal control in the public sector and the Rulebook on the form, the contents and the manner of submitting the statement on quality and the status of internal controls, drafted on the basis of this Law, set the legal framework for the financial management and control system. The functioning of this system is regulated in other laws and bylaws, among which the following are the most significant: Law on Budgets, Law on Execution of the Budget, Law on Financing of Local self-Government Units, Law on Accountancy of the Budgets and Budget Beneficiaries, regulations on Treasury operations etc.

Pursuant to the Law on Public Internal Financial Control the head person of the entity is responsible for establishment, implementation and development of sound financial management and control in the institution to the end of efficient, effective and cost-effective utilisation of available resources. The head person of the public sector entity is responsible for delegating authorisations and tasks to other managing and other persons in the institution, but he/she cannot delegate the general responsibility for the organisation. Also, pursuant to the Law, he/she is obliged to establish appropriate organisational structure, make distribution of duties and give the necessary authorisations to the managing persons.

Head persons of public sector entities are responsible for transparent and regular execution of the budget of the institution they manage.

SHORT-TERM PRIORITIES

The Ministry of Finance, in cooperation with the Twinning project "Strengthening of the System of Public Internal Financial Control", in 2008, will prepare 2008 and 2009 Strategy for development of the public internal financial control.

By end-2008 new Law on Public Internal Financial Control will be adopted, thus realising the recommendation of the European Commission on integrating the Law on Internal Audit in the Public Sector and the Law on Public Internal Financial Control and it would provide a legal framework for strengthening the capacity of financial management and control in the Ministry of Finance and other entities in the public sector. The new Law shall implement the recommendations of the European Commission contained in the Progress Report for 2007, considering Chapter 32, concerning harmonisation with the public internal financial control standards (international standards for internal control and internal audit).

The new Law on Public Internal Financial Control will regulate the following: operations of Sectors/Units for financial and economic issues, in charge of financial management and control, the Committee for financial, economic and audit issues in the Ministry of Finance and the Inter-ministerial Consulting Body (Council) for financial and economic issues, as well as undertaking measures against irregularities and frauds, the competences of the Financial Police in the Ministry of Finance and the transformation of the Unit for Central Internal Audit into Unit for Internal Audit of EU Funds.

As from 2008 the Rulebook on the form, the contents and the manner of submitting the statement on quality and the status of internal financial controls in the public sector will start applying, prescribing a form for preparation of annual report on quality and the status of the financial management and control system.

INSTITUTIONAL FRAMEWORK

Strengthening the institutional capacities in the Ministry of Finance

Strengthening the institutional capacity in the Ministry of Finance will be made by establishing a body for financial inspection and a Committee for financial, economic and audit issues through enhancing the capacities of the central unit for harmonisation of the financial management and control. The number of employees in this unit in 2008 will be increased by 1 person.

Administrative capacities of the Unit for Harmonisation of Financial Management and Control in 2008 will be enhanced by conducting training for improvement of the reporting skills and capacity building for carrying out training in financial management and control in the public sector. Part of the trainings will be carried out in one of the new EU member states.

Strengthening the institutional capacities in financial management and control in the public sector entities

In 2008 the strengthening of institutional capacities for financial management and control in the state administrative bodies will begin by establishing Sectors/Units for financial and economic issues and by employment 56 persons in 25 central-level institutions. Institutional capacities for financial management and control in the 10 pilot institutions on central level will be strengthened by carrying out a training and preparation of internal acts (written procedures) for the main working processes, as well as their implementation and review.

FOREIGN ASSISTANCE

Strengthening the capacities for implementation of the financial management and control system on central level will be realised also through the Twinning project "Strengthening of the System of Public Internal Financial Control" with the Ministry of Finance of the Kingdom of the Netherlands, financed by the EC, which started in April 2007 and will be implemented by end-2008.

MEDIUM-TERM PRIORITIES (2009-2011)

By end-June 2009 bylaws will be adopted to the Law on Public Internal Financial Control.

By end-2009 trainings will be implemented for the newly employed persons in the Sectors/Units for financial and economic issues in drafting internal acts (written procedures) on the main working processes. During the IV quarter of 2009, training will be organised for implementation of internal acts in financial management and control for the heads of Sectors/Units within the state administrative bodies.

During II quarter of 2009, in 40 pilot municipalities, training will be organised in preparation of internal acts on financial management and control for the heads of Sectors/Units and during IV quarter of 2010, training will be organised for implementation of internal acts.

1.2 INTERNAL AUDIT

Internal audit function in the public sector in the Republic of Macedonia is carried out by internal audit units established in the public sector entities on central and local level. The Ministry of Finance – Sector for Public Internal Financial Control is in charge of regulation, development and harmonisation of the internal audit system in the public sector. So far, in the central level institutions, 36 internal audit units have been established (in 14 ministries, 4 Funds and 18 central government institutions) and 69 internal auditors have been appointed, while on local level, 28 internal auditors have been appointed in 26 local self-government units.

SHORT-TERM PRIORITIES

By end-2008 new Law on Public Internal Financial Control will be adopted, thus realising the recommendation of the European Commission on integrating the Law on Internal Audit in the Public Sector and the Law on Public Internal Financial Control and it would provide a legal framework for certification of internal auditors in the public sector.

As from 2008, the Rulebook on the form, the contents and the manner of submitting the report (statement) on quality and the status of internal controls in the public sector will start with its application, prescribing a form for preparation of annual report on carried out audits and internal audit activities.

INSTITUTIONAL FRAMEWORK

To the end of strengthening the institutional framework and the administrative capacities for internal audit in the public sector, in 2008 the Action Plan on completion of the staffing of internal audit units will be fully realised. This plan was adopted by the Government of the Republic of Macedonia in February 2007, i.e. 28 new internal auditors will be employed in 16 central-level institutions.

The process of establishing internal audit units or establishment of joint units in the municipalities will continue in 2008.

Public sector entities which have established internal audit units, by end-2008, will adopt charters on internal audit, in accordance with the recommendations of the European Commission.

During 2008, within the Twinning project "Strengthening of the System of Public Internal Financial Control", in cooperation with the Twinning partner, the Ministry of Finance of the Kingdom of the Netherlands, several trainings will be realised for internal auditors on central level, as follows: basic training for 40 new internal auditors, specialised training for the heads of the internal audit units and training for trainers in internal audit. Also, in 2008 internal auditors of the 10 pilot institutions, with the assistance from Dutch experts will conduct audits of the new procedures for financial management and control, and one audit will be carried out of the utilisation of the EU Funds.

In order to strengthen the internal audit capacities in the local self-government units, the Ministry of Finance – Sector for Public Internal Financial Control in 2008 will prepare a plan for training of internal auditors from local self-government units.

Within the Twinning project "Strengthening of the System of Public Internal Financial Control", in 2008, study tour will be organised in an EU member state for preparation of Rulebook and Programme on taking the exam and acquiring the title certified internal auditor.

In order to ensure conditions for timely and efficient execution of the greater scope of activities of regulation, development and promotion of internal audit in the public sector, the number of employees in the Unit for Harmonisation of Internal Audit in 2008 will be increased by 1 person having university education and English language proficiency.

FOREIGN ASSISTANCE

By end-2008 the Twinning project "Strengthening of the System of Public Internal Financial Control" will be realised within CARDS 2006.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In 2009, the Rulebook and Programme on taking the exam and acquiring the title certified internal auditor will be adopted.

INSTITUTIONAL FRAMEWORK

The plan for training internal auditors from local self-government units will be realised in 2009, by implementing basic and advanced training.

1.3 STATE (EXTERNAL) AUDIT

The State Audit Office (SAO) is the Supreme Audit Institution (SAI), established under the Law on State Audit adopted in 1997 so as to ensure legal and appropriate utilisation of public resources. SAO carries out audits and prepares reports which it publishes on the website, and it submits to the Assembly of the Republic of Macedonia annual report on its operations and the carried out audits.

The Law on State Audit is harmonised with Directive 31984L0253, in the part that refers to the conditions that certified auditors should meet, and the amendments to the law in 2006 (Official Gazette of the Republic of Macedonia No. 70/06) harmonised this Law with the principles of the Lima Declaration and raised the efficiency of the state audit.

On the basis of the activities of the Twinning project with the Netherlands Court of Audit and the carried out peer review of the operations by the German SAI, the State Audit Office continued the activities for improvement of the operational and financial independence and for ensuring quality of operations.

CURRENT SITUATION

In 2005 the realisation of the Twinning project started, for development of the SAO with the Netherlands Court of Audit, which will last until September 2008. The following is implemented under the project: theoretic preparation and training, on-the-job training and consultations in financial audit, performance audit and process management in the SAO.

In order to use the good practices of EU, the State Audit Office in 2006/07 carried out simultaneous performance audit on a project financed with EU resources, together with the Supreme Audit Institutions (SAI) from the candidate countries and the potential candidates for EU membership with the assistance of experts from SIGMA, the European Court of Auditors and the working group for joint audit activities heading the SAI in the United Kingdom. To the end of improving the implementation of the recommendations in the SAO reports, in September 2007, with amendments to the Rules of Procedure of the Government of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 116/2007) Audit Committee was established as permanent professional body that would review audit reports and the reports of other state administrative bodies regarding the measures undertaken to overcome the disclosed irregularities in the SAO audit reports. The Audit Committee files written reports to the Government with opinions and proposals for the measures undertaken regarding the findings in the audit reports, and the

Secretary General of the Government of the Republic of Macedonia notifies the SAO on the conclusions of the Government on the measures undertaken by entities.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

In 2008 new Law on State Audit will be adopted that would ensure strengthening of the operational capacities and the functional and financial independence of SAO in accordance with the recommendations of the Prague Declaration and the good practices of the EU Member States and the European Commission. This Law shall ensure appropriate professional development of state auditors and more efficient monitoring of the implementation of the recommendations in the audit reports.

After the adoption of the new Law on State Audit, in 2008, amendments will be made to the Rulebook on issuance and revoking the official ID and the acts on organisation and systematisation of working posts in the SAO.

To the end of successful monitoring of the realisation of the recommendations from the audit reports of SAO in 2008, instruments will be defined for communication and promotion of the cooperation with the Audit Committee in the Government of the Republic of Macedonia and the competent commission in the Assembly of the Republic of Macedonia. The successful implementation of the SAO recommendations will be checked by carrying out follow up audit in six public sector entities.

STRENGTHENING THE INSTITUTIONAL CAPACITIES

Strengthening the institutional capacities of SAO in 2008 will provide for 27 new employments, 10 out of which for the needs of the Audit Authority, thus the number of auditors in SAO will reach the number of 117 persons, 17 out of which in the Audit Authority.

The following document will be prepared in 2008 for the purpose of strengthening SAO capacities:

- Development plan for Document Management Information System in SAO;
- 2008 – 2012 SAO Development Strategy;
- Annual Plan for Professional Education of State Auditors.

In addition, the following is to be carried out in 2008:

- initial and advanced training for the employees with SAO in IT audit, preparing audit reports, audit of internal control systems, audit techniques and audit of EU pre-accession funds;
- parallel audits, focused on issues related to internal control systems.

FOREIGN ASSISTANCE

Twinning Project with the Netherlands Court of Audit will be realised by the end of 2008, and its extension will be requested by September 2009.

Training for taking the exam for acquiring the title certified state auditor will be organised in 2008, SAO having requested for respective foreign assistance therefore.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In the period 2009-2011, updated Rulebook on Financial Audit and Rulebook on Performance Audit, as well as detailed methodological and other manuals on performing state audit will be prepared.

STRENGTHENING THE INSTITUTIONAL CAPACITIES

To the end of strengthening the operational and functional capacities of SAO in the period 2009-2011, the number of employees will reach 145 persons (including the 32 employees with the Audit Authority), also including the following:

- implementation of Document Management System (DMS);
- enhancement of the cooperation with the users of SAO reports;
- monitoring the fulfilment of the recommendations and developing evaluation and promotion system for the employees with SAO;
- carrying out training in audit trail, performance audit, audit of IT systems, audit of EU funds; and
- continuation of the parallel audit over the functioning of the internal control systems.

3.32.2 PROTECTION OF THE FINANCIAL INTERESTS OF EU

2.1 PROTECTION OF THE FINANCIAL INTERESTS OF EU

CURRENT SITUATION

Protection of the financial instruments of EU is regulated under the Law on Public Internal Financial Control (Official Gazette of the Republic of Macedonia, No. 22/07), pursuant to which all beneficiaries of EU funds are obliged to provide the authorised persons from the Ministry of Finance, the inspectors from the European Commission and the European Court of Auditors, free access to all the documentation, offices, resources and staff.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

New Law on Public Internal Financial Control in the Public Sector will regulate the following:

- obligation of the managers with the entities in the public sector to prevent the risk of irregularities and frauds, to undertake actions against irregularities and frauds and to appoint irregularities officer who will receive the reports on irregularities and frauds and independently undertake actions for their prevention;
- obligation of the internal auditors, persons involved in financial management and control, as well as other employees to simultaneously inform the manager with the entity and the irregularities officer about the suspected frauds or the findings of irregularities, and
- obligation of the manager with the entity and the irregularities officer to inform, after having received the report on irregularities or suspected fraud, the Public Prosecution Office of the Republic of Macedonia and the Anti-Fraud Coordination Service within the Financial Police Office, and to inform the person who reported the irregularity or the fraud within 15 days in writing, except in cases of anonymous reporting.

Following the adoption of the new Law on Public Internal Financial Control in the Public Sector, the Government of the Republic of Macedonia will adopt Decree on Prevention of Irregularities and Frauds in the Public Sector, to regulate the manner of mutual cooperation, the forms, the deadlines and the manner of reporting irregularities.

INSTITUTIONAL FRAMEWORK

To the end of protecting the financial interests of the European Communities, Financial Police Office within the Ministry of Finance will coordinate the activities for the needs of OLAF and will provide guidelines for the institutions for reporting the irregularities, whereby all information regarding irregularities, disclosed by the entities when using funds from the European Union or resources obtained from the European funds with state co-financing, will be submitted to the Financial Police Office -Anti-Fraud Coordination Service.

Anti-Fraud Coordination Service (AFCOS) within the Financial Police Office is the national contact point in the Republic of Macedonia, the role of which comprises assistance and support to OLAF⁴² in the member states regarding fraud prevention. Anti-Fraud Coordination Service (AFCOS) will act as coordination body, exchanging information with OLAF officers in the field of fraud prevention, corruption prevention, as well as prevention of any other illegal activities (irregularities).

Anti-Fraud Coordination Service (AFCOS) within the Financial Police Office will be established by June 2008 at the latest under the amendments to the Rulebook on Systematisation of Working Posts in the Financial Police Office.

Anti-Fraud Coordination Service (AFCOS) within the Financial Police Office will employ 3 persons, having completed university education, one out of which at the position of head and the other two as inspectors with a working experience in government administration in the field of irregularities/fraud prevention, knowledgeable of EU institutions and policies and fluent in English. By the end of 2008, the Service will be staffed with 3 persons through re-deployment from the Financial Police Office.

Anti-Fraud Coordination Service (AFCOS) will be operationally independent, at the same time developing coordination activities by encouraging multidisciplinary character of the operations (ability to maintain inter-institutional cooperation).

In 2008, Anti-Fraud Coordination Service (AFCOS) will cooperate within institutions that are directly or indirectly involved in the protection of the financial interest of EU, at the same time proposing measures for strengthening the legislation and the administrative surrounding in this area.

FOREIGN ASSISTANCE

In order to provide for additional education of the employees, adequate training will be organised, requesting assistance through EU programmes (HERCULES II) therefore.

⁴² OLAF is a specialised administration of the European Commission in charge of preventing frauds. OLAF mission is to protect the interest of EU to fight fraud, corruption and any other irregular activity, including misconduct within the European institutions. Actions undertaken by OLAF are stipulated in Article 280 of the Treaty establishing the European Community.

In addition, special working conditions will be ensured (premises, telephone, fax, computer, e-mail and web site), providing for independent and smooth operations and complete security for all information available to the Service.

Head of the Anti-Fraud Coordination Service within the Financial Police Office will manage the expert group in charge of coordination and preparation of draft laws and other regulations, the objective of which is fraud prevention, as well as of utilisation of AFIS⁴³.

The Head of the Anti-Fraud Coordination Service within the Financial Police Office will be member and engaged in the work of all government working groups to be established or the ones already established (working groups in charge of the following: anti-corruption activities, financial control, communication and surveillance over EU financial assistance).

2.2 CONTROL OVER EU FUNDS

CURRENT SITUATION

LEGAL FRAMEWORK

Legal framework regarding the control over the utilisation of EU funds in the Republic of Macedonia is regulated with the following acts:

- Law on Public Internal Financial Control (Official Gazette of the Republic of Macedonia, No. 22/07);
- Law Amending the Law on State Audit (Official Gazette of the Republic of Macedonia, No. 133/07)
- Framework Agreement with the European Commission, defining the general conditions of cooperation between our country and EU when managing EU funds, signed on 30th October 2007.
- Law on Establishment of Agency for Financial Support in Agriculture and Rural Development (Official Gazette of the Republic of Macedonia, No. 72/2007)

In November 2007, amendments to the Law on State Audit (Official Gazette of the Republic of Macedonia, No. 133/07) were adopted, pursuant to which Audit Authority for EU pre-accession funds in the Republic of Macedonia was established in SAO (hereinafter referred to as: Audit Authority). The Audit Authority is independent from the State Audit Office, exercising the cooperation with SAO in line with the Memorandum of Understanding and Cooperation signed in August 2007.

The Audit Authority is functionally independent in the EU pre-accession funds management system in the Republic of Macedonia. It verifies the efficiency of the pre-accession fund management and control systems, as well as of the reliability of accounting data submitted to EC, in line with INTOSAI standards.

It adopts Annual Operational Plan each year, being independent from the Annual Operational Plan of SAO. The Annual Plan is submitted to the National Authorising Officer and to the European Commission by the end of the current year for the next year.

SHORT-TERM PRIORITIES

In order to meet the principles of publicity and transparency in the operations and improve the information communication and exchange system, in 2008, the Audit Authority will conclude Memoranda of Cooperation with the structures of the decentralised management and control system with regard to IPA funds.

In 2008, the Audit Authority will:

- prepare 2008-2010 Audit Authority Development Strategy,
- assess the institutional structure of the decentralised management and control system with regard to IPA funds, and
- prepare procedures for carrying out audit over IPA components.

The Audit Authority, in cooperation with the European Agency for Reconstruction, has prepared draft project on technical assistance, expected to be approved by the European Commission at the beginning of 2008. The project will contribute to preparing the capacities with the Audit Authority to apply large project on technical assistance, planned to be approved by the European Commission in the course of 2008.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In the period 2009-2011, detailed methodological and other manuals on performing audit under the competence of the Audit Authority will be prepared.

2.3 PROTECTION OF THE EURO FROM COUNTERFEITING

⁴³ AFIS is an organisation providing for safety in electronic correspondence through the Common Communication Network (CCN).

LEGAL FRAMEWORK

Legal framework for protection of the euro from counterfeiting in the Republic of Macedonia is set under the following legal acts:

- Criminal Code of the Republic of Macedonia⁴⁴ (Official Gazette of the Republic of Macedonia, Nos. 37/96, 80/99, 4/02, 43/03, 19/04 and 85/05);
- Law on Criminal Procedure (Official Gazette of the Republic of Macedonia, Nos. 15/97, 44/02, 74/04 and 15/05);
- Law on Police (Official Gazette of the Republic of Macedonia, no. 114/06);
- Rulebook on the contents and the manner of keeping records of the police and the form and contents of the form for records of the police (Official Gazette of the Republic of Macedonia, No. 78/07), regulating the manner of keeping the registry of detected counterfeited money (euro and other foreign currencies);
- International Convention for Suppression of Counterfeiting Currency from 1929, ratified by the Republic of Macedonia in March 2005;
- Law on National Bank of the Republic of Macedonia (Official Gazette of the Republic of Macedonia Nos. 03/02, 51/03, 85/03, 40/04, 61/05 and 129/06).

Protection of the euro from counterfeiting in the Republic of Macedonia is carried out by the Department for Organised Crime⁴⁵ and Department for Forensic within the Ministry of Interior.

Sector for Financial Crime within the Department for Organised Crime is in charge of protection of the euro from counterfeiting, comprising the following units: Unit for Economic Crime, Unit for Anti Money Laundering and Corruption and Unit for Cyber Crime and Counterfeits. Unit for Cyber Crime and Counterfeits carries out activities related to detecting, providing evidence, documenting and criminal and legal processing in front of the competent courts so as to prove the criminal act and the criminal liability of the organised crime groups.

Unit for Evaluation of Disputable Documents within the Department for Forensic in the Ministry of Interior carries out forensics over the counterfeited euros. It performs the following activities:

- controls banknotes authenticity,
- prepares findings and opinions on non-authentic banknotes,
- prepares photo documentation of counterfeited banknotes, and
- keeps registry of counterfeited banknotes at nominal value, serial number and number of the plate on which they are counterfeited.

Taking into account that technical analysis and central collecting and processing of information on counterfeited denars is carried out by the National Bank of the Republic of Macedonia, while Ministry of Interior is in charge of counterfeited euros and other foreign currencies, one can come to the conclusion that there is no single national central office in the Republic of Macedonia in charge of counterfeited money in line with Article 12 of the Geneva Convention from 1929 and Regulation 1338/2001.

SHORT-TERM PRIORITIES

In order to enhance the protection of the euro, the denar and the other foreign currencies in the Republic of Macedonia against counterfeiting, as well as to harmonise with Council Decision of 6 December 2001 on the protection of the euro against counterfeiting (CELEX No. 32001D0887), the following activities will be undertaken:

- Pursuant to the amendments to the Act of Systematisation of the Ministry of Interior, Central Office for Counterfeited Money will be established and being the single institution in the country in charge of detecting, providing evidence and documenting the criminal act of counterfeiting money, and registering and forensics of all kinds of counterfeited money (including euro).
- In order to strengthen the staff capacities of the Central Office for Counterfeited Money within the Ministry of Interior, the Systematisation Act will be respectively amended and 5 persons will be employed in 2008.
- Pursuant to the amendments to the Criminal Code, it will be harmonised with the Council Framework Decision (CELEX No. 32000F0383 of 29 May 2000), i.e. penal policy for this type of criminal act will be tightened.

⁴⁴ Money counterfeiting is regulated, and is punishable, pursuant to Chapter 25 in the Criminal Code as a criminal act against public finance, payment operations and the economy. Article 268 stipulates that: "Whoever makes false money with an aim of bringing it into circulation as genuine, or whoever alters genuine money with an aim of bringing it into circulation, or whoever brings such counterfeited money into circulation, shall be punished by one and ten-year imprisonment". The same punishment is imposed to "whoever procures counterfeited money with an aim of bringing it into circulation as genuine". If such acts lead to deterioration of the economy in the country, the perpetrator shall be punished by at least five-year imprisonment, and whoever brings into circulation counterfeited money received by him as genuine, or who has knowledge of counterfeited money being made or brought into circulation, and fails to report it, shall be punished by a fine or three-year imprisonment. In all case, counterfeited money is seized.

⁴⁵ Organised Crime Department is in charge of preventing criminal acts, detecting and catching the organised crime – perpetrators of criminal acts and their handing over to the competent bodies.

3.33 FINANCIAL AND BUDGETARY PROVISIONS

3.33.1 TRADITIONAL OWN RESOURCES

CURRENT SITUATION

LEGAL FRAMEWORK

The public finance system covers the *Law on Budgets* and the amendments to the Law that regulate the objectives, principles, planning and execution as well as the Budget structure, stipulated in the proposed amendments to the Law on Budgets are fully harmonised with the principles and the rules of the European Community and the international standards. The amendments to the Law regulate the following:

- Modern management procedure for budget resources, providing an opportunity to budget beneficiaries for the first time, in case of failure to use the funds approved in the programmes and sub-programmes of the development part of the Budget in the current year, to transfer them in the amount of 50% as resources approved for the next fiscal year.
- In the provisions regulating the Treasury functions, amendments were made that expand the scope of competences of the Treasury in order to create a legal basis for: debiting accounts within the Treasury ledger on the basis of contractual authorisations and in case of correction of an error by the Treasury, for management of liquidity of the accounts within the Treasury ledger, as well as termination of certain payments by budget beneficiaries and spending units of the central government in case of determined deterioration of the financial discipline and in conditions of deterioration of the projected liquidity of the Treasury account. These amendments were made as a result of the findings in the so-far practise from the establishment of the Treasury (2002) and they are aimed at ensuring greater efficiency thereof.

With regard to the national accounts, Council Regulation 2223/96 provides the basis. For calculation of Gross National Income, the State Statistical Office uses data on the Gross Domestic Product at market prices and data on the net primary income abroad covered by the National Bank of the Republic of Macedonia. The calculation of Gross Domestic Product at market prices was made according to Council Regulation 2223/96. The calculation of GNI is not fully harmonised with the ESA 95 standards. The implementation of the methodology is in progress.

INSTITUTIONAL FRAMEWORK

The Minister for Finance is responsible for preparation of the Budget of the Republic of Macedonia and for its delivery to the Government of the Republic of Macedonia.

The Budget of the Republic of Macedonia and the municipal budgets cover a period of one fiscal year, i.e. 12 months, starting from 1 January and ending on 31 December.

The basis for preparation of the budgets are the strategic priorities of the Government of the Republic of Macedonia, the Fiscal Strategy, the draft strategic plans of budget beneficiaries and the budget policy, as well as priorities of municipalities.

Planned revenues and other inflows are the revenues and other inflows of the core budget, the budget revenues of self-financing activities, budget revenues of donations, budget revenues of loans and revenues, and other budget income of funds and municipalities.

Pursuant to the Law on Budgets, the budget beneficiaries are the first-line beneficiaries from the legislative, executive and judicial power, funds, municipal budget beneficiaries, and beneficiaries established by law that are entrusted to perform public competences.

The budgets contain the approved funds by budget beneficiaries and determined purposes that refer to financing of the current, capital and other expenditures of the budget beneficiaries and their spending units for execution of the activities presented through programmes and sub-programmes.

The budget beneficiaries must not assume liabilities that are due in the current year, neither incurs expenditures exceeding the approved funds under the Budget of the Republic of Macedonia and the municipal budget.

The unutilised approved budget funds cease to be valid on 31 December of the current fiscal year, unless otherwise regulated in the Law on Budgets (Official Gazette of the Republic of Macedonia No. 64/2005, 4/2008).

The approved resources in the programmes and sub-programmes of the development component of the core budget that will not be used during the fiscal year, in the amount of 50% are transferred as approved resources in the first half of the next fiscal year.

The budget beneficiaries of the executive power and the funds, as well as mayor of the municipality prepare a draft plan of development programmes, harmonised with the guidelines from the circular and they submit it for approval to the Government of the Republic of Macedonia by 15 July of the current year at the latest, i.e. to the Municipal Council by 20 October in the current year at the latest.

The Government of the Republic of Macedonia approves the draft plans for the development programmes by 15 August in the current year at the latest.

The Municipal Council approves the draft plan for the development programmes by 15 November in the current year at the latest.

The approved plan for the development programmes is an integral part of the municipality draft budget.

The criteria, manner, conditions, limitations and procedure for borrowing are determined pursuant to the Law on Public Debt.

The Treasury is an organisational unit within the Ministry of Finance, entrusted with the task of efficient and effective management with public financial resources, as an especially significant segment of the overall functioning of the state.

The Ministry of Finance is responsible for management of the resources obtained from the Budget of the European Union, pursuant to the financing and contracting provisions and rules of the European Union.

The resources from the EU funds, as well as the national co-financing, are shown in the budget under respective programmes, i.e. sub-programmes.

The programmes, through which the funds from the EU funds and the national co-financing are shown, are an integral part of the plan of the development programmes of the budget beneficiaries.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The Ministry of Finance, in the process of improving the planning and enforcement of the financial and budgetary provisions, will focus on monitoring the following priorities:

1. Improving the budget planning process by upgrading and completing the information system for budget preparation;
2. Improving the budget execution process by implementing a new software solution, i.e. a new treasury information system;
3. Drafting amendments to the Law on Accountancy of the Budgets and Budget Beneficiaries to the end of improving the accounting system and its harmonisation with the international standards;
4. Drafting Rulebook on organisational classification, regulating the contents, the structure and the manner of keeping the stipulated budget classifications (organisational, economic, functional and programme);
5. Determining new and improving the existing indicators with the purpose of increasing the performance when implementing budget programmes;
6. List of budget beneficiaries;
7. Internal procedures on the manner of budget preparation, regulating the time frame of the budget process;

Reforms will be implemented within the frames of the competent institutions: the Customs Administration, the Public Revenue Office and the State Statistical Office in the upcoming period, aimed at unifying the collection system of "traditional own resources", which mainly refer to customs duties, tax liabilities in agriculture, VAT liabilities and liabilities on the basis of gross national income which each EU Member State should pay in the EU Budget:

INSTITUTIONAL FRAMEWORK

Two new units are planned to be established with the changes in the existing systematisation in the Ministry of Finance: control of salaries and employments and monitoring the development component of the Budget.

Accordingly, the administrative capacity will be strengthened with 8 (4+4) new employments in the units, as envisaged in the changes in the systematisation of the Sector for Budget and Funds.

1 new employment is envisaged in the Unit for Financial Statistics and Analysis within the Treasury Sector, 1 employment in the regional treasury office and 2 employments in the Unit for Foreign Assistance.

Organisation of the necessary training for the employees in these organisational units (related to the application of the new accounting standards, application of ESA 95 Methodology, strategic planning, training related to the new software solutions and training related to management of EU pre-accession funds).

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In the upcoming medium-term period, the Ministry of Finance, as a body responsible for managing public finance, will aim its activities towards upgrading the administrative capacity of the competent institutions for adequate control, collection and provision of financial resources, necessary for financing of the European Union Budget.

The State Statistical Office, in the upcoming medium-term period, will fully harmonise the methodology for calculation of the Gross National Income with the ESA 95 methodology.

INSTITUTIONAL FRAMEWORK

Preparation of analysis for determining the institutions and the sectors to comprise the system for monitoring and calculation of own resources is necessary.

Further on, it is planned to assign the function related to monitoring and calculation of the contribution of the Republic of Macedonia to the EU Budget, thus establishing a coordination unit, responsible for the own resources system.

FOREIGN ASSISTANCE

No funds from foreign resources are envisaged for realisation of the activities.

3.33.2 VAT RESOURCES

3.33.3 GNI RESOURCES

3.33.4 ADMINISTRATIVE INFRASTRUCTURE

4 ADMINISTRATIVE CAPACITIES FOR THE IMPLEMENTATION OF THE ACQUIS

4.1 Horizontal Issues – Reform of Public Administration

In order to improve the organisational structure of state administrative bodies and more efficiently implement the competencies of the Civil Servants Agency in terms of issuing consent regarding acts on the internal organisation of bodies, the Decree on the Principles for Internal Organisation of State Administrative Bodies (Official Gazette of the Republic of Macedonia No.105/07) was adopted. This is of particular significance having in mind the fact that the previous framework had not provided sufficiently precise assessment criteria for these acts, having led to various interpretations and organisation of identical functions within various bodies. The new Decree also adopts qualitatively new elements that follow the development of other operational areas of the administration, primarily in the fields of internal audit, strategic planning and coordination of policies and human resource management.

In the interest of qualitative improvement of the Civil Service System, by creating detailed descriptions of responsibilities, objectives and working tasks required for each job title to achieve thereby better uniformity of acts concerning systematisation of job titles, the Decree on Civil Servant Job Title Description (Official Gazette of the Republic of Macedonia No.106/07) was adopted. This represents another step towards achieving the principle of equal access to employment, but also equal rewarding for same types of tasks.

In September 2007, the CSA drafted a document Guidelines for Preparing the Rulebook on Systematisation of the Working Posts, to additionally facilitate the implementation of the above mentioned Decrees, but above all, facilitate the work of civil servants in charge of drafting acts on internal organisation and systematisation of working posts.

One of the fundamental issues in the set of policies human resource capacities is the policy of attracting and retaining fresh, young and highly qualified staff. The document Policies on Attracting and Retaining Young Staff, adopted in September 2007, represents an instrument that will provide assistance to further improve the quality of civil service.

On 21 December 2007, the Civil Servants Agency adopted the 2008 Annual Programme for Training of Civil Servants, aiming to effectuate the National System for Coordination of Training and Professional Improvement of Civil Servants in the Republic of Macedonia, concerning generic training.

The forthcoming activities will be focused at attaining the national strategic objectives; carrying out annual training programmes with individual bodies/municipalities; earmarking/allocating the funding necessary for training; and improving human resources within public administration.

One of the priorities of the Government of the Republic of Macedonia is to create a favourable investment environment and stimulate private sector development by means of reforms in the business environment and strengthen institutional capacities. To that end, the Government has been implementing the Regulatory Reform, whereas the implementation of the first component of the Regulatory Reform is in its final stage – Regulations Guillotine, to consolidate hundreds of current regulations.

In order to create institutional and material conditions necessary for the implementation of the public administration reform, the General Secretariat of the Government, on the basis of the responses received from the Ministries in structured questionnaires, conducted an Analysis of Capacities for Strategic Planning and Policy Making in the ministries and drafted a Report including recommendations for improvements, adopted by the Government in August this year.

Ministries and other bodies of the state administration successfully completed the third cycle of strategic planning and drafted three year strategic plans under a new matrix, identifying their strategic priorities and objectives, as well as planned measures and activities aimed towards realisation of Government's priorities and those of the Ministries. The new matrix allows direct correlation of envisaged programmes with Government's strategic priorities, the NPAA, and the priorities and objectives of each drafting body. For the purpose of building strategic planning capacities, the General Secretariat of the Government also conducted a series of training events on strategic planning for central and local level administration.

In order to strengthen the capacities of Ministries in terms of drafting high-quality proposals, consulting and assessment of policy impacts, the General Secretariat published a Manual for Policy Making in January 2007 and throughout 2007, organised training events towards improving the process of drafting laws and developing policies intended for staff at ministries, and training in policy making intended for employees of local self-government units, with the objective of strengthening local level policy making administrative capacities.

For the purpose of providing a higher level of consistency in the legal system, the Secretariat for Legislation promoted the Manual

of Nomotechnical Rules in December 2007, to facilitate and unify the process of drafting regulations in accordance with the principle of uniformity in nomotechnics covering the lingual, logical and political expression, the structure of regulations and consistent expression of legal logic in regulations.

The System for Interministerial Cooperation between the Unit for Cooperation with Non-Governmental Organisations and civil servants in the Ministries responsible for cooperation with Non-Governmental Organisations was established, and a plan was drafted and effectuated of this staff training in communication with the civil sector and the general public; strategic analysis, monitoring and evaluation; civil sector schedule and size, as well as financial management. The visibility measures of the Unit were promoted (web: www.nvosorabotka.gov.mk including promotional material) and relevant experiences were shared with municipal mayors and the local administration.

In terms of ICT system development, the following strategies were drafted in the recent period: "Strategy for Information and Communication Technology" in coordination with the Ministry of Transport and Communications; and, in terms of judiciary system modernisation, the "Strategy for Information and Communication Technology in the Judiciary for the period 2007-2010". In addition, Recommendations on ICT Standards in the State Administration were drafted concerning 13 areas in accordance with the Guidelines on the European Framework for Interoperability of Pan-European E-Government Services; An analysis of 5 mostly used e-services on the web-portal www.uslugi.gov.mk, including recommendations for improving the portal, services and communication with citizens, and an Analysis of needs for IT training of the state administration (on the basis of a survey taken with 7,729 civil servants and 3,042 filled-in survey questionnaires), for the purpose of determining civil servant needs for IT training will be used by the General Secretariat and the Civil Servants Agency to determine the main priorities of IT training, representing at the same time key assistance in the process of designing modules for future training of civil servants.

The Trilateral Committee, which was established with the Memorandum of Cooperation signed by the Ministry of Local Self-Government, the Civil Servants Agency and ZELS, continuously develops and implements measures for creating a sustainable training system for the municipal administration. The Committee and its support body – the Unit for Training Support (UTS), played a key role in the planning and implementation of training for municipal civil servants, especially in the recent two years. In order to provide for a uniform access to training for civil servants in Municipalities, to be delivered by the International Community and national organisations, the Government adopted the 2008 Training Programme. As for national training priorities, in addition to fiscal decentralisation and management of pre-accession funds, a third national priority was adopted upon a proposal from ZELS: training in B-integrated environmental permits.

Through the implementation of the 2006-2010 Strategy for Training Municipalities and related Annual Training Programmes, the following was achieved: identification of training needs for the Municipalities concerning transferred competencies; development of methodology for recruiting, selecting and evaluating trainers; identification of the accreditation process for training of Municipalities; developing annual training programmes related to annual training plans drafted by competent Ministries and Municipalities; improvement of municipal administration quality by improving human resource capacities in terms of delivering high-quality services, and raising the awareness of elected local officials on civil service ethics standards and on their relations with the central government and with citizens.

In order to provide a system for continuous training of all civil servants, the MF and the CSA will consider the possibility to increase the CSA budget and the individual budgets of budgetary beneficiaries related to the Training Programme, revision will be done of the National System for Coordination of Training and Professional Improvement of Civil Servants in the Republic of Macedonia, adoption will take place of the 2009-2011 Strategy for Training of Civil Servants and the 2009 Annual Training Programme for Civil Servants, the Unit for Training Support will be established in Skopje, and a series of specialised training events will be conducted for civil servants in central and local governments. Obligations in terms of providing data on civil servants (including training attended), prescribed by the CSA and necessary for updating the Single Civil Servants Register, will be adequately implemented.

The EU Training System will be further improved by building a Monitoring System for the Institutional Component of the NPAA, making an assessment of training needs, and training members of the WG drafting the NPAA.

Establishing and strengthening the Units for Development of Human Resources is a priority. Their setting-up represents a duty in accordance with the Decree on Internal Organisation of State Administrative Bodies, and activities will be developed of the already established network of human resource units. A special training programme will be implemented for these units.

In the context of implementing the 2008 Regulatory Reform, the system for assessing the regulatory impact and the Single Register of Regulations will be introduced.

The process of strengthening capacities will continue related with strategic planning, policy making and monitoring the operation of Ministries and other state administration bodies. Following the successful implementation of the strategic planning process in 2007, when all Ministries adopted their strategic plans using a single methodology, further process improvement is planned by advancing

planning methodology and relevant training. Further harmonisation of strategic and budgetary planning processes and the National Programme for the Adoption of the *Acquis* will be realised through the already established coordination mechanism, by improving the planning and monitoring tools.

The following will be undertaken to advance the IT system: construction of a backbone electronic-communications network to link state institutions, upgrading the electronic service of www.uslugi.gov.mk by introducing a module which will allow electronic payments for government services incurring fees, upgrading the system for electronic Government session chairing by means of a module for electronic opinion exchange among institutions during the stage of detailed proposal drafting, automatizing of the process for document text creation during initial stages of preparing documents for Government sessions, as well as upgrading the portal of www.uslugi.gov.mk with new institutions and delivering training for civil servants in charge.

The Secretariat for European Affairs within the Government of the Republic of Macedonia will strengthen its central and guiding roles in policy coordination in terms of EU integration, implementation of the National Programme for the Adoption of the *Acquis*, preparation of negotiations for EU membership (in accordance with the determined Institutional Platform and Principles for Negotiating the EU Membership of the Republic of Macedonia), implementation of the Stabilisation and Association Agreement, as well as coordination of EU pre-accession assistance and other foreign aid. Already established EU Sectors within Ministries will be further strengthened – through new employments, continuous training, and improvement of the operation of the EU sector network.

5 PREPARATION OF THE MACEDONIAN VERSION OF THE ACQUIS

CURRENT SITUATION

LEGAL FRAMEWORK

The objectives and the function of the process of preparation of the Macedonian version of the *acquis communautaire* are encompassed with the:

- National Strategy for Integration of the Republic of Macedonia into the European Union 2004,
- Draft-Strategic Plan of the Secretariat for European Affairs 2008-2010,
- Strategic Plan for Preparation of the Macedonian Version of *Acquis Communautaire* and Translation of the Macedonian Legislation, adopted in May 2006.

The process of preparation of the Macedonian version of the *acquis communautaire* is also laid down in detail with the:

- Technical Guidelines for the Process of Translation of the EU Legal Acts,
- Manual for Translation of the EU Legal Acts,
- Decision on establishment of technical committees included in the process of preparation of the national version of the *acquis communautaire*,
- Draft Rules of Procedure of the Technical Committees for technical and legal revision,
- Draft Rules of Procedure for the work of the Technical Committee for verification of the terminology and verification of the national version of the *acquis communautaire*.

Other manuals determining in detail the roles and functions of all participants in the process of preparation of the Macedonian version of *acquis communautaire* are in the phase of preparation.

A total of 2,745 measures, i.e. 32,897 OJ pages have been translated by the end of 2007 and other 1,070 measures, i.e. 12,569 OJ pages have been technically and legally revised.

INSTITUTIONAL FRAMEWORK

The preparation of the National Version of the *acquis communautaire* (EU law) is based on the outsourcing model with one central body, the Sector for Preparation of the National Version of the *Acquis Communautaire* within the Secretariat for European Affairs, responsible for coordination and monitoring of the process.

In accordance with the Rulebook on Internal Organisation of the Secretariat for European Affairs, adopted in November 2005, the Sector for Preparation of the National Version of the *Acquis Communautaire* is responsible for implementation of the process for preparation of the Macedonian version of the *acquis communautaire*. The Sector for Preparation of the National Version of the *Acquis Communautaire* is comprised of two units: Unit for Revision and Terminology responsible for determining the criteria for consistent translation of the EU legal acts, developing terminology, implementing control of the process of translation of the EU legal acts as well as the Macedonian legislation.

The Unit for Translation Coordination is responsible for preparation of a plan for translation, monitoring and coordination of the translation process through centralised databases.

The Sector for Preparation of the National Version of *Acquis Communautaire* employs a total of 8 civil servants and 2 persons recruited on a contract basis.

Participants in the process of preparation of the National Version of *Acquis Communautaire* and the translation of the Macedonian legislation, besides the personnel in the Sector are: the translation agencies, the technical committees responsible for technical and legal revision of the translations.

Currently, the Sector cooperates with 12 translation agencies with which three year contracts have been concluded (2006-2008). The agencies have 40-65 translators at disposal. The translation agencies perform translation and proof reading of the legal acts, technical editing of the text to an act, and provide a translation memory (utilising machine aided translation tools Trados or Wordfast).

The Technical Committees are responsible for technical and legal revision of the translations of the EU legal acts. Until 1 January 2008, 23 Technical Committees responsible for different fields have been established. Representatives from the ministries are within the composition of the Technical Committees which are directly in charge of the transposition of the EU legal acts from the respective area into the Macedonian legislation, including a lawyer from the appropriate ministry or from the Secretariat for Legislation. With the purpose of providing a multifold revision of the translation, professors and the public sector representatives are involved in the Technical Committee.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Implementation of activities directed towards strengthening the structure of the preparation of the national version of the acquis, maintenance of the databases which have the function to support and monitor the process along with the extension of the activities in the field of realisation of the requests in the language domain have been planned in the course of 2008.

One of the main goals for the current year is to start up the realisation of the project for translation of the primary EU legislation, that is, implementation of a special procedure for selection of translation agencies and translators to be engaged in the translation process of 1,600 OJ pages. Taking into account the exceptional importance of the translation of the primary legislation, the emphasis needs to be placed not only on the quality itself, but also on the linguistic, technical and legal revision which needs to be implemented with larger control in all phases of the preparation of the national version of the primary legislation.

The key phase of the whole process of preparation of the national version of the acquis is the technical and legal revision of the EU legal acts. Therefore, there is necessary to establish and implement an improved system for technical and legal revision of the EU legal acts. To that end, a draft-model has been developed in order to improve the structure of the technical committees involved in the process of technical and legal revision which need to be more flexible and more directed towards increasing their efficiency, along with the introduction of a special technical committee for verification of the terminology and the national version of the acquis. In order to increase the individual responsibility of each member of the technical committee, a Decision on establishing the technical committees involved in the process of preparation of the nation version of the acquis and a Rules of Procedure for their work have been drafted. The aforementioned are being reviewed by the governmental commissions and the finalisation of the review procedure is expected by the end of January 2008.

In order to monitor and support the whole preparation process of the national version of the acquis it is necessary to continuously maintain the databases: Register for monitoring the translation process, the terminology databases and the CCVista EU base.

The creation of a Macedonian version of Eurovoc is one of the responsibilities which the Sector for Preparation of the National Version of the Acquis Communautaire should realise in close cooperation with the translation service within the Assembly of the Republic of Macedonia.

INSTITUTIONAL FRAMEWORK

In order to successfully realise the set short-term priorities, it is necessary to strengthen the Sector for Preparation of the National Version of the Acquis Communautaire, both in personnel and technically, with at least 5 employees by the end of 2008.

Training has been planned to take place in the course of 2008, which shall be conducted by the Sector for Preparation of the National Version of the Acquis Communautaire, intended for the members of the technical committees in accordance with the proposed structure.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

Implementation of the activities aimed at strengthening the structure of preparation of the national version of the acquis, maintenance of databases which have the function to support and monitor the process, as well as extension of the activities in the field of realisation of the requests in the language domain have been planned for the period 2009-2010.

The translation process, technical and legal revision of additional 1,600 OJ pages are planned to continue each year, respectively in the aforementioned period.

After the steps undertaken to improve the work of the technical committees, the dynamics of the technical and legal revision is expected to increase, i.e., quantitative and qualitative increase of the results of the technical committee. In that context, one should expect increase of the number of verified national versions of the acquis.

In order to monitor and support the whole preparation process of the national version of the acquis it is necessary to continuously maintain the databases: Translation Register, the terminology databases and the CCVista EU base.

It has been foreseen to finalise the activities related to the preparation of the Macedonian version of Eurovoc in the stated period. By enhancing the dynamics of the preparation process of the national version of the acquis, it is necessary to raise the awareness concerning the significance of having a high quality Macedonian version of the acquis and its effects on the citizens. Therefore, it is necessary to move forward with the process of designing and commencing an informative campaign concerning the process of preparation of the Macedonian version of the acquis communautaire.

INSTITUTIONAL FRAMEWORK

In order to achieve successful implementation of the short-term priorities, it is necessary for the Sector for Preparation of the National Version of the Acquis Communautaire to employ additional 4, i.e., 2 employees, respectively, during the period 2009-2010.

Regular trainings, which shall be conducted by the Sector for Preparation of the National Version of the Acquis Communautaire, intended both for the pool of translators and for all members of the technical committees aimed at exchanging information and experiences among all participants in the process of preparation of the National Version of the EU law, have been planned during 2009 and 2010.

FOREIGN ASSISTANCE

The necessity for foreign assistance in relation to the activities of translation, technical and legal revision of the primary legislation has been identified. Therefore, negotiations were entered with GTZ – Deutsche Gesellschaft für Technische Zusammenarbeit, within the frames of the project: Advisory Services for the Process of Approximation, to the EU in order to allocate part of the necessary funds for preparation of the national version of the primary EU legislation. The final decision concerning the amount of assistance is expected in the first quarter of 2008.

The need for providing additional foreign assistance funds has also been identified for the activities related to the informative campaign for the process of preparation of the national version of the acquis.

The Government of the Republic of Macedonia has wide support in terms of the country's European Union membership with all social strata and among all social groups. All political parties in the Republic of Macedonia have EU membership set as priority in their programmes. The business sector, most of the non-governmental organisations and citizen associations support EU membership. Recorded citizen support in this regard has continuously exceeded 87% of the total population.

A public opinion survey done in January 2007 by the Secretariat for European Affairs revealed support in this regard with 87.8 percent of respondents. Increase of people's knowledge on EU-related matters is evident in this survey, that being result of increased communication with specific target groups and ongoing public information projects.

Being aware that the EU accession process is a long and complex one governed by the policy of realistic optimism, underlined as such in the "Strategy for Public Information and Communication 2007-2010", the Government of the Republic of Macedonia launched a series of public awareness raising campaigns aimed at informing citizens on benefits and obligations related with EU membership, as well as on requirements – political, economic, legal and institutional – to be met by the country in order for it to become an EU Member State.

In line with the Republic of Macedonia's commitments towards intensifying the process of the country's accession to the European Union, it is of crucial importance to maintain public support for the Government's policy of EU membership. With the purpose of improving public awareness on the process of EU accession, the following objectives are underlined in the 2007-2010 Strategy for Public Information and Communication In the Process of Republic of Macedonia's accession to the EU:

- Continuing the process of bringing the Republic of Macedonia's citizens closer to everyday dimensions of the EU's functioning by increasing awareness and understanding in terms of the integration process and policy,
- Increasing local community awareness,
- Creating trust and belief in the capacities of Macedonian institutions involved in the European integration process,
- Building trust in EU's institutions,
- Ensuring that specific sectors such as the business, agricultural or judiciary sectors understand the process and that they are fully involved and prepared,
- Ensuring that the EU Member States are aware of the Republic of Macedonia's readiness for integration and gaining these countries' support.

In order to attain these objectives, the Government of the Republic of Macedonia has prepared projects the implementation of which will contribute towards information and appropriate education of the population and of several social groups on issues related with the integration process, as well as on responsibilities originating from EU membership. The following projects are highlighted in annual operational plans:

- *"Learning about the European Union"* – a project that will contribute to increase knowledge about the EU integration process among pupils and students in all educational institutions in the Republic of Macedonia, as a main precondition towards the implementation of the Republic of Macedonia's strategic determination towards joining the Union;
- *"Social inclusion in the Republic of Macedonia and needs in terms of synchronisation thereof with the European Union's Open Method of Social Inclusion Coordination"* – a project that will contribute to harmonise the Government's policy of synchronizing the efforts of all relevant factors in the country's social area. By developing this approach, the Government of the Republic of Macedonia aims at defining fundamental problems in the areas of social inclusion – social protection, pensions, health and long-range care, as well as transport, education, housing, access to, and use of new information technologies etc., in cooperation with all relevant factors in this significant area of development;
- *"Macedonian Pro-European Lobby Group"* – a project that will contribute towards Republic of Macedonia's more active engaging in the elimination of potential consequences of the European Union enlargement fatigue resulting from various geo-political, geo-strategic and social-economic reasons generating concerns with citizens of some EU Member States. Hence, it is necessary to establish a Macedonian pro-European lobby group which will be engaged in the carrying out of a public campaign by following the example of what is called "public diplomacy";
- *"Going Local"* – a project which contributing towards strengthening public awareness of key issues on the local level – mayors and municipal councillors - that, by working locally, they contribute towards progress on the national level, at the same time mobilising and fostering the participation of citizens, the civic sector and the business sector in the drafting of policies related to the Republic of Macedonia's European future on the local level;
- *"MK-EU Info Centre"* – a project which to increase the level of public information on EU-related processes and the process of the Republic of Macedonia's accession to the European Union. The Centre is a corner where everyone can obtain relevant information on the European Union and the Republic of Macedonia's overall reform process on its way to the EU. The citizens have available Internet access to websites maintained by the EU and the Government of the Republic of Macedonia, access to foreign newspapers and direct broadcast of events maintained by EU bodies and institutions via the Europe by Satellite

satellite channel. In addition, the Centre maintains a huge stock of reference literature with about 600 titles on the European Union. EU Member States, bodies and institutions are planned to be presented in brochures, leaflets or travel books;

- *"Debating on the EU"* –a series of debates on topics related to the Republic of Macedonia's EU accession process and to EU policies. Debate topics include European trends and policies, or events convened by EU bodies and institutions on identical, similar or related topics, adjusted to fit the Macedonian context. Having the same dates and topic similarity of debates represents symbolic evidence that the Republic of Macedonia has been following European trends. These debates are broadcast by the Macedonian National Television, and records thereof will be uploaded to the database of audio-visual materials linked to SEA's website;
- *"European Mindset In the European Union"* –a media campaign to contribute towards raising awareness among citizens on the importance of accepting European standards and norms, respecting institutions, equity in rights and duties when addressing state institutions, environment protection, respecting privacy, respecting the right to a free choice, strengthening the sense of responsibility for one's acts and behaviour, necessity of tolerant co-existence among citizens, the manner of dealing with other people's belongings and goods of public interests, elevating the level of general culture, awareness raising concerning the role of citizens in the society and in the process of EU accession.
- *"IPA Media Campaign"* - to contribute towards raising awareness among the general population concerning possibilities offered by the European Union's Instrument for Pre-accession Assistance (IPA) especially in relation to public administration reforms and improving the overall functioning of the judicial system, police reforms, promotion of good neighbourly relations among countries and communities, improvement of transport and infrastructure, decreasing the unemployment rate, agriculture and rural development.

The Government is utilising other public information and communication tools, such as regular press-conferences, briefings, brochures on topics related to the EU accession process, a website, debates and conferences. www.sep.gov.mk is the central website, where activities of public information and communication on EU-related issues are provided in detail.