



**GOVERNMENT OF THE
REPUBLIC OF MACEDONIA**

SECRETARIAT FOR EUROPEAN AFFAIRS

**DRAFT NATIONAL PROGRAMME FOR ADOPTION OF THE ACQUIS
COMMUNAUTAIRE**

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ЛИСТА НА ИНСТИТУЦИИ И КРАТЕНКИ
LIST OF INSTITUTIONS AND ABBREVIATIONS

Централни органи на власта во Република Македонија		Central State Authorities in the Republic of Macedonia	
Претседател на Република Македонија	ПРМ	The President of the Republic of Macedonia	PRM
Собрание на Република Македонија	СРМ	The Assembly of the Republic of Macedonia	ARM
Влада на Република Македонија	ВРМ	The Government of the Republic of Macedonia	GRM
Уставен Суд на Република Македонија	УСРМ	The Constitutional Court of the Republic of Macedonia	CCRM
Врховен Суд на Република Македонија	ВСРМ	The Supreme Court of the Republic of Macedonia	SCRM
Републички Судски Совет	РСС	The Judicial Council of the Republic of Macedonia	JCRM
Јавен Обвинител на Република Македонија	ЈОРМ	The Public Prosecutor's Office of the Republic of Macedonia	PPO
Народен Правобранител на Република Македонија	НПРМ	The Ombudsman of the Republic of Macedonia	ORM
Агенција за разузнавање	АР	Intelligence Agency	IA
Државна изборна комисија	ДИК	State Election Commission	SEC
Државен завод за ревизија	ДЗР	State Audit Office	SAO
Комисија за заштита на конкуренцијата	КЗК	Commission for Protection of Competition	CPC

Министерства и органи во состав		Ministries and bodies within the ministries	
Министеретво за одбрана	МО	Ministry of Defence	MD
Министерство за внатрешни работи	МВР	Ministry of the Interior	MI
Управа за безбедност и контраразузнавање	МВР_УБК	Security and Counter-Intelligence Directorate	SCID
Биро за јавна безбедност	МВР_БЈБ	Public Security Bureau	PSB
Министерство за правда	МП	Ministry of Justice	MJ
Државен управен инспекторат	МП_ДУИ	State Administration Inspectorate	SAI
Управа за извршување на санкциите	МП_УИС	Directorate for Execution of Sanctions	DES
Биро за судски вештачења	МП_БСВ	Bureau for Forensic Expertise	BFE
Министерство за надворешни работи	МНР	Ministry of Foreign Affairs	MFA
Дипломатско-конзуларните претставништва	МНР_ДКП	Diplomatic and Consular Missions	MFA_DCM
Министерство за финансии	МФ	Ministry of Finance	MF
Управа за имотно-правни работи	МФ_УИПР	Property and Legal Affairs Administration	PLAA
Царинска управа на Република Македонија	МФ_ЦУ	Customs Administration of the Republic of Macedonia	MF_CA
Државен девизен инспекторат	МФ_ДДИ	State Foreign Exchange Inspectorate	MF_SFEI
Управа за јавни приходи	МФ_УЈП	Public Revenue Office	MF_PRO
Биро за стоковни резерви	МФ_БСР	Commodity Reserves Bureau	MF_CRB
Биро за јавни набавки	МФ_БЈН	Public Procurement Bureau	MF_PPБ

Сектор за централна внатрешна ревизија	МФ_СЦВР	Department for Central Internal Audit	DCIA
Дирекција за спречување на перење пари	МФ_ДСП	Directorate for Prevention of Money Laundering	MF_DPML
Управа за стокови резерви	МФ_УСТОК	Commodity Reserves Directorate	MF_CRD
Финансиска полиција	МФ_ФП	Financial Police	MF_FP
Министерство за економија	МЕ	Ministry of Economy	ME
Монополска управа	МЕ_МУ	Monopoly Authority	MA
Управа за наменско производство	МЕ_УНП	Special Purpose Production Authority	SPPA
Државен пазарен инспекторат	МЕ_ДПИ	State Market Inspectorate	ME_SMI
Државен инспекторат за техничка инспекција	МЕ_ДИТИ	State Inspectorate for Technical Inspection	ME_SITI
Биро за туризам	МЕ_БТ	Tourism Bureau	TB
Биро за метрологија.	МЕ_БМ	Metrology Bureau	MB
Министерство за земјоделство, шумарство и водостопанство	МЗШВ	Ministry of Agriculture, Forestry and Water Economy	MAFWE
Управа за ветеринарство	МЗШВ_УВЕТ	Veterinary Directorate	MAFWE_VD
Управа за водостопанство	МЗШВ_УВОД	Water Economy Directorate	WED
Управа за хидрометеоролошки работи	МЗШВ_УХР	Hydro Meteorological Directorate	HMD
Управа за семе и семенски материјал	МЗШВ_УССМ	Seed and Planting Material Directorate	SPMD
Управа за заштита на растенијата	МЗШВ_УЗР	Plants Protection Directorate	PPD
Државен инспекторат за земјоделство	МЗШВ_ДИЗ	State Agriculture Inspectorate	SAI
Државен инспекторат за шумарство и ловство.	МЗШВ_ДИШЛ	State Forestry and Hunting Inspectorate	SFHI
Сектор за поддршка во земјоделството и руралниот развој	МЗШВ_СПЗРР	Sector for Agriculture and Rural Development Support	SARDS
Државна ветеринарна инспекција	МЗШВ_УВЕТ_ДВИ	State Veterinary Inspectorate	MAFWE_SVI
Фитосанитарна управа	МЗШВ_ФУ	Phytosanitary Directorate	MAFWE_PD
Министерство за здравство	МЗ	Ministry of Health	MH
Државен санитарен и здравствен инспекторат	МЗ_ДСЗИ	State Sanitary and Health Inspectorate	SSHI
Биро за лекови	МЗ_БЛ	Bureau for Drugs	BD
Републички завод за здравствена заштита	РЗЗЗ	Republic Institute for Health Protection	RIHP
Дирекција за храна	МЗ_ДХ	Food Directorate	MH_FD
ЈЗО Републички завод за трансфузиологија	РЗТ	State Institute of Transfusion Medicine	MH_SITM
Министерство за образование и наука	МОН	Ministry of Education and Science	MES
Педагошката служба	ПС	Pedagogic Service	PS
Биро за развој на образованието	МОН_БРО	Bureau for Development of Education	BDE
Управа за развој и унапредување на образованието на јазиците на националностите	МОН_УРУОЈН	Directorate for development and promotion of education in languages of the members of communities	DDPELMC
Државен просветен инспекторат	МОН_ДПИ	State Educational Inspectorate	SEI

Министерство за труд и социјална политика	МТСП	Ministry of Labour and Social Policy	MLSP
Управа за прашања на борците и воените инвалиди	МТСП_УПБВ И	Directorate for War Veterans	DWV
Државен инспекторат за труд	МТСП_ДИТ	State Labour Inspectorate	SLI
Министерство за локална самоуправа	МЛС	Ministry of Local Self-Government	MLSG
Државен инспекторат за локална самоуправа	МЛС_ДИЛС	State Inspectorate for Local Self-Government	SILSG
Биро за стопански недоволно развиените подрачја	МЛС_БСНР П	Bureau for Economically Underdeveloped Regions	BEUR
Министерство за култура	МК	Ministry of Culture	MC
Управа за афирмирање и унапредување на културата на заедниците во Република Македонија.	МК_УКНАЦ	Directorate for affirmation and promotion of the culture of communities in the Republic of Macedonia	DAPCCRM
Министерство за транспорт и врски	МТВ	Ministry of Transport and Communications	MTC
Управа за телекомуникации	МТВ_УТ	Telecommunications Directorate	TD
Управа за цивилно-воздушна пловидба	МТВ_УЦВП	Civil Aviation Administration	MTC_CAA
Капетанија на пристаништата	МТВ_КП	Port Authority	PA
Државен инспекторат за транспорт	МТВ_ДИТ	State Transport Inspectorate	STI
Државен инспекторат за градежништво и урбанизам	МТВ_ДИГУ	State Inspectorate for Civil Engineering and Urban Planning	SICEUP
Државен комунален инспекторат	МТВ_ДКИ	State Communal Inspectorate	SCI
Министерство за животна средина и просторно планирање	МЖСПП	Ministry of Environment and Physical Planning	MEPP
Државен инспекторат за животна средина	МЖСПП_ДИ ЖС	State Environment Inspectorate	SEI
Служба за животна средина	МЖСПП_СЖ С	Service for Environment	SE
Служба за просторен информативен систем	МЖСПП_СП ИС	Service for Spatial Information System	SSIS
Македонски информативен центар за животна средина	МИЦЖС	Macedonian Environmental Information Centre	MEIC

Служби на Владата на Република Македонија		Services within the Government of the Republic of Macedonia	
Генерален секретаријат	ГС	General Secretariat	GS
Секретаријат за европски прашања	СЕП	Secretariat for European Affairs	SEA
Секретаријат за законодавство	СЗ	Legislative Secretariat	LS
Јавно Правобарнителство на Република Македонија	ЈПРМ	The Public Attorney's Office of the Republic of Macedonia	PAORM
Служба за општи и заеднички работи	СОЗР	General Affairs Service	GAC

Самостојни органи на државна управа		Autonomous Bodies of the Government Administration	
Комисија за односи со верските заедници и религиозни групи	КОВЗРГ	Commission for Relations with Religious Communities and Groups	CRRCG

Агенција за млади и спорт	АМС	Youth and Sports Agency	YSA
Агенција за иселеништво	АИСЕЛ	Emigration Agency	EA
Комисија за државна помош	КДП	State Aid Commission	SAC
Агенција за информации	АИНФО	Information Agency	IA
Агенција за развој и инвестиции	АРИ	Development and Investment Agency	DIA
Агенција за информатичко општество	АИО	Agency for Information Society	AIS
Агенција за електронски комуникации	АЕК	Agency for Electronic Communications	AEC
Агенција за странски инвестиции на Република Македонија	АСИ	Agency for Foreign Investments of the Republic of Macedonia	AFIRM
Агенција за цивилно воздухопловство	АЦВ	Civil Aviation Agency	CAA

Управни организации:		Administrative Organization	
Државен архив на Република Македонија	ДАРМ	State Archives of the Republic of Macedonia	SARM
Државен завод за геодетски работи	ДЗГР	State Authority for Geodetic Works	SAGW
Државен завод за статистика	ДЗС	State Statistical Office	SSO
Биро за судски вештачења	МП_БСВ	Bureau for Forensic Expertise	BFE

Самостојни институции		Autonomous Institutions	
Народна Банка на Република Македонија	НБРМ	National Bank of Republic of Macedonia	NBRM
Комисија за хартии од вредност	КХВ	Macedonian Securities and Exchange Commission	MSEC
Фонд за водите	ФВ	Water Fund	WF
Дирекција за слободни економски зони	ДСЕЗ	Directorate for Free Economic Zones	DFEZ
Институт за стандардизација	ИС	Institute for Standardisation	IS
Институт за акредитација	ИА	Institute for Accreditation	IA
Стопанска Комора	СК	Chamber of Commerce	CC
Државен завод за индустриската сопственост	ДЗИС	State Office of Industrial Property	SOIP

Јавни претпријатија		Public Enterprises	
АД „Електростопанство на Македонија“	АД ЕСМ	JSC Electric Power Company of Macedonia	JSC-EPCM
Ј.П за аеродромски услуги “Македонија” Скопје	ЈП-АУ „Македонија“ Скопје	PE for Airport Services “ Macedonia” Skopje	PE-AS "Macedonia" Skopje
Ј.П за стопанисување со станбен и деловен простор на Република Македонија	ЈП-ССДПРМ	PE for Management of Housing and Business Premises of the RM	PE-MHBP
Ј.П за одржување и заштита на магистралните и регионалните патишта	ЈП-ОЗМП	PE for Maintenance and Protection of National and Regional Roads	PE-MPNRR
Ј.П “Македонија пат”	ЈПМП	PE “Makedonija Pat”	PE “Makedonija Pat”
Ј.П „Македонски железници“	ЈПМЖ	PE “Macedonian Railways”	PE “Macedonian Railways”
АД „Македонски Авиотранспорт“	АД „МАТ“	JSC “Macedonian Airlines”	JSC “MAT”
Ј.П за поштенски сообраќај “Македонска пошта”	ЈП-ПС „Македонска пошта“	PE for Postal Traffic "Makedonska Posta"	PE-PT “Makedonska Posta”
Акционерско друштво за телекомуникации	АДТ	JSC for Telecommunications	JSC-Telecommunications
Ј.П за стопанисување со шуми “Македонски шуми”	ЈП-СШ „Македонски шуми“	PE for Forest Management "Makedonski Sumi"	PE-FM “Makedonski Sumi”
Ј.П за просторни урбанистички планови	ЈП-ПУП	PE for Spatial and Urban Planning	PE-SUP

Ј.П за набавка, транспорт и дистрибуција на природен гас "ГА-МА"	ЈП-НТДПГ „ГА-МА“	PE for Procurement, Transport and Distribution of Natural Gas "GA-MA"	PE "GA-MA"
Ј.П за стопанисување со пасиштата	ЈП-СП	PE for Pasture Management	PE-PM
Ј.В.П "Водостопанство на Македонија"	ЈП „ВС Македонија“	PE "Water Economy of Macedonia "	PE "Water Economy of Macedonia"
Ј.П за берзанско работење "АГРОБЕРЗА"	ЈП-БР „АГРОБЕРЗА“	PE for commodity exchange "AGROBERZA"	PE "AGROBERZA"
Ј.П Македонска радиодифузија	ЈП Македонска радиодифузија	PE Macedonian Broadcasting	PE "Macedonian Broadcasting"
Ј.П Македонска информативна агенција	ЈП-МИА	PE Macedonian Information Agency	PE - MIA
Ј.П за водоснабдување "Студенчица"	ЈП-ВС „Студенчица“	PE for Water Supply "Studencica"	PE "Studencica"
Ј.П за извршување на водостопански дејности ХЦ "Злетовица"	ЈП-ИВСД ХЦ „Злетовица“	PE for Water Management Activities of the Hydroelectric Power Plant "Zletovica"	PE-HPP "Zletovica"
Ј.П Службен весник на Република Македонија	ЈП-Сл.в. РМ	PE Official Gazette of the Republic of Macedonia	PE-OGRM
Ј.П за стопанисување со објектите за спорт во сопственост на Република Македонија	ЈП-СОСРМ	PE for Management of sports facilities property of the Republic of Macedonia	PE-MSFRM
Ј.П за водостопанисување со хидросистемот "Дојранско езеро"	ЈП-БСХС „Дојранско езеро“	PE for Water Management of the Hydrosystem "Dojransko Ezero"	PE-WMH "Dojransko Ezero"
Македонска радиотелевизија	ЈПМРТ	PE "Macedonian Radio Television"	PE MRT
АД Електрани на Македонија	АД ЕЛЕМ	JSC "Electric Power Generators of Macedonia"	JSC EPGM
АД МЕПСО (Оператор на електропреносниот систем на Македонија)	АД МЕПСО	JSC METSO (Macedonian Electro-Transmission System Operator)	JSC METSO
ЈП за набавка, транспорт и дистрибуција на природен гас "ГАМА"	ЈП ГАМА	PE "GAMA" for Procurement, Transport and Distribution of Natural Gas	PE GAMA
АД Топлификација	АД Топлификација	JSC "The District Heating System of the City of Skopje"	JSC "The District Heating System of the City of Skopje"

Агенции и други правни лица		Agencies and other legal entities	
Агенција на Република Македонија за приватизација	АПРМ	Privatisation Agency of the Republic of Macedonia	PARM
Агенција за поттикнување на развојот на земјоделството	АПРЗ	Agency for Promoting the Development of the Agriculture	APDA
Агенција за супервизија на капитално финансирано пензиско осигурување	МАПАС	Agency for Supervision of Fully Funded Pension Insurance	ASFFPI
Агенција за поддршка на претприемништво на Република Македонија	АППРМ	Agency for Promotion of Entrepreneurship of the Republic of Macedonia	APE
Агенција за вработување на Република Македонија	АВРМ	Employment Agency of the Republic of Macedonia	EB
Дирекција за заштита и спасување	ДЗСПАС	Protection and Rescue Directorate	PRD
Дирекција за безбедност на класифицирани информации	ДБКИ	Directorate for Protection of Classified Information	DCIP
Централен регистар на Република Македонија	ЦРРМ	Central Register of the Republic of Macedonia	CRRM
Акционерско друштво за национална платежна картичка	АДНПК	JSC for National Payment Card	JSC-NPC
Македонска банка за поддршка на развојот- А.Д	МБПР	JSC Macedonian Bank for Development Promotion	JSC-MBDP

Фондови		Funds	
Фонд за магистрални и регионални патишта	ФМРП	Fund for National and Regional Roads	FNRR
Фонд за пензиско и инвалидско осигурување на Македонија	ФПИОРМ	Pension and Disability Insurance Fund of Macedonia	PDIFRM

Фонд за здравствено осигурување на Македонија	ФЗОРМ	Health Insurance Fund of Macedonia	HIFRM
Фонд за осигурување на депозити	ФОД	Deposits Insurance Fund	DIF

Јавни научни установи		Public Scientific Institution	
Институт за национална историја	ИНИ	Institute for National History	INH
Институт за земјотресно инженерство и инженерска сеизмологија	ИЗИИС	Institute for Earthquake Engineering and Engineering Seismology	IEEEES
Хидробиолошки завод - Охрид	ЕДУ_ХЗ	Hydro-Biological Bureau - Ohrid	HBB
Земјоделски институт	ЗИ	Institute for Agriculture	IA
Институт за тутун	ЕДУ_ИТ	Tobacco Institute	TI
Институт за фолклор	ИФ	Institute for Folklore	IF
Институт за македонски јазик	ИМЈ	Institute for Macedonian Language	IML
Економски институт	ЕИ	Institute for Economics	IE
Институт за старословенска култура	ИССК	Institute for Old-Slavonic Culture	IOSC
Институт за сточарство	ЕДУ_ИС	Institute for Cattle Breeding	ICB
Институт за социолошки и политичко-правни истражувања	ИСППИ	Institute for Sociological, Political and Legal Research	ISPLR
Институт за македонска литература	ИМП	Institute for Macedonian Literature	IML
Институт за јужни земјоделски култури	ИЈЗК	Institute for Southern Crops	ISC
Македонска Академија на Науките и Уметностите	МАНУ	Macedonian Academy of Science and Arts	MASA

Високо-образовни институции		Higher Education Institutions	
Универзитет "Св. Кирил и Методиј"	УКИМ	"Ss. Cyril and Methodius" University	UKIM
Универзитет "Св. Климент Охридски"	УКО	University "St. Kliment Ohridski"	UKO
Државен Универзитет-Тетово	ЕДУ_ДУТ	State University in Tetovo	SUT
Универзитет на Југоисточна Европа-Тетово	УЈЕ	South Eastern Europe University-Tetovo	SEEU
Факултет за општествени науки-Скопје	ФОН	Faculty of Social Studies-Skopje	FON
Полициска академија	ПА	Police Academy	PA
Градежен институт Македонија	ЕДУ_ГИМ	Construction Institute "Makedonija"	EDU_CIM
Завод за испитување на материјали	ЕДУ_ЗИМ	Bureau for Material Testing	EDU_BMT
Институт за биологија	ЕДУ_ПМФ_ИБ	Institute for Biology	IB
Природно математички факултет	ЕДУ_ПМФ	Faculty of Natural Sciences and Mathematics	EDU_FNSM
Фармацевтски факултет – Скопје	ЕДУ_ФФ	Pharmaceutical Faculty	EDU_PF
Машински факултет	ЕДУ_МФ	Faculty of Mechanical Engineering	EDU_FME
Факултет за земјоделски науки и храна	ЕДУ_ФЗНХ	Faculty of Agricultural Sciences and Food	EDU_FASF
Шумарски факултет	ЕДУ_ШФ	Faculty of Forestry	EDU_FF
Институт за Земјоделство	ЕДУ_ИЗ	Institute for Agriculture	EDU_IA
Факултет за ветеринарна медицина	ЕДУ_ФВМ	Faculty of Veterinary Medicine	EDU_FVM
Институт за фармакологија	ЕДУ_ИФ	Institute of Pharmacology	EDU_IP
Факултет за туризам и угостителство	ЕДУ_ФТУ	Faculty of Tourism and Catering	EDU_FTC

Други		Others	
Сектор за ИТ	ГС_СИТ	Sector for IT	GS_SIT
Централен Депозитар за хартии од вредност	ЦДХВ	Central Securities Depository	CSD
Македонска берза за хартии од вредност	МБХВ	Macedonian Securities Stock Exchange	MSSE
Клириншки интербанкарски системи АД Скопје	КИБС	JSC "Interbanks Clearing Systems" Skopje	JSC ICS
Дирекција за радијациона сигурност	ДРС	Radiation Safety Directorate	RSD

Државна комисија за спречување на корупцијата	ДКСК	State Commission for Prevention of Corruption	SCPC
Комисија за Информатичка Технологија	КИТ	Committee for Information Technology	CIT
Регулаторна комисија за енергетика	РКЕ	Energy Regulatory Commission	ERC
Совет за радиодифузија	СРАДДИФ	Broadcasting Council	
Комора на занаетчиите на Македонија	КЗМ	Chamber of Artisans of Macedonia	CAM
Организација на потрошувачите на Македонија	ОПМ	Consumers Organization of Macedonia	COM
Сојуз на синдикати – гранка хемија	СС_ГХ	Trade Union _ Chemistry branch	TU_ChB
Асоцијацијата на приватни електронски медиуми на Македонија	АРЕММ	Association of Private Electronic Media of Macedonia	АРЕММ
Македонска асоцијација за информатичка технологија	МАСИТ	Macedonian Association of Information Technology	MASIT
Зедница на единиците на локалната самоуправа	ЗЕЛС	Association of the Units of the Local Self-government of the Republic of Macedonia	(ZELS)
Центар за управување со кризи	ЦУК	Crises Management Centre	CMC

I POLITICAL CRITERIA
II ECONOMIC CRITERIA
01 FREE MOVEMENT OF GOODS
02 FREEDOM OF MOVEMENT FOR WORKERS
03 RIGHT OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES
04 FREE MOVEMENT OF CAPITAL GTZ – Gesellschaft für Technische Zusammenarbeit FATF - Financial Action Task Force ENIK/NARIK – European Network of Information Centres/ National Academic Recognition Information Centres FIU – Financial Intelligence Unit CU – Customs Union
05 PUBLIC PROCUREMENT
06 COMPANY LAW LTD – Limited Liability Company EEIG - European Economic Interest Grouping LOSSS - Law on One-stop-shop System and maintenance of the trade register and the register of other legal entities UNDP – United Nations Development Programme PDPL 2 - Second Programmatic Development Policy Loan OECD - Organisation for Economic Co-operation and Development IAS - International Accounting Standards IASB - International Accounting Standards Board IFAC - International Federation of Accountants SAA - Stabilisation and Association Agreement
07 INTELLECTUAL PROPERTY LAW LCRR – Law on Copyright and Related Rights LIP - Law of Industrial Property; LCM - Law on Customs Measures for Protection of Intellectual Property Rights WTO – World Trade Organisation TRIPS Agreement - Agreement on Trade-Related Aspects of Intellectual Property Rights WIPO - The World Intellectual Property Organization CRR – Copyright and Related Rights CISAC - International Confederation of Authors and Composers Societies AGICOA - Association of International Collective Management of Audiovisual Works VPRT - Der Verband Privater Rundfunk und Telekommunikation EBU - European Broadcasting Union EPO - European Patent Office UPOV Convention - International Convention for Protection of New Variety of Plants
08 COMPETITION POLICY LPC - Law on Protection of Competition CPC - Commission on Protection of Competition GTZ – Gesellschaft für Technische Zusammenarbeit ATL – Approximation of Trade Legislation Twinning, Approximation of the legislation in the competition policy and strengthening of the administrative capacity of the body for competition protection BERIS, Business environment reform and institutional strengthening project
09 FINANCIAL SERVICES
10 INFORMATION SOCIETY AND MEDIA
11 AGRICULTURE AND RURAL DEVELOPMENT CAP – Common Agricultural Policy AIS - Agricultural Information System IPARD – Instrument for Pre-accession Assistance for Rural Development FMS – Farm Monitoring System FADN – Farm Accounting Data Network IACS - Integrated Administrative and Control System LPIS - Land Parcel Identification System

<p>AI - Artificial Insemination SAA - Stabilisation and Association Agreement SA – Sector for Agriculture SFSARD – Sector for Financial Support of Agriculture and Rural Development SAISPA - Sector for Agricultural Information System and Policy Analysis LD – Land Directorate</p>
<p>12 FOOD SAFETY, VETERINARY AND PHYTOSANITARY POLICY</p> <p>SIDA - Swedish International Development Agency GTZ – Gesellschaft für Technische Zusammenarbeit ICT - Information and Communication Technology TCE - transmissible spongiform encephalopathies DUS tests - distinctness, uniformity and stability of tests RASFF - Rapid Alert System for Food and Feed HACCP - Hazard Analysis and Critical Control Point GMO - genetically modified organisms ISTA - International Seed Testing Association SRMs - Specified risk materials UPOV - International Union for the Protection of New Varieties of Plants TRACES - Trade Control and Expert System (System for control and tracking movements of live animals, animal products, as well as a system for certification of economic operators in the EU)</p>
<p>13 FISHERIES</p>
<p>14 TRANSPORT POLICY</p> <p>EES – Electro-energetic System SEETO-South East Europe Transport Observatory EBRD - European Bank for Reconstruction and Development HLTG - High Level Transport Group JIBIC - Студија за развој на транспортна мрежа во Западен Балкан SECI - Southeast European Cooperation Initiative TSP - Transmission System Planning UCTE - Union for Coordination for Transmission of Electricity TIRS - Transport Infrastructure Regional Study REBIS - Regional Balkan Infrastructure Studies</p>
<p>15 ENERGY</p> <p>EMO - Electricity Market Operator of Macedonia EE – energy efficiency RES - renewable energy sources IDRES - Institution for developing renewable energy projects IFRES - Institution for financing renewable energy projects GEF – Global Environment Facility ESCO - Energy Services Company IAEA - International Atomic Energy Agency</p>
<p>16 TAXATION</p> <p>VAT – Value added tax LVAT - Law on Value Added Tax GTZ – Gesellschaft für Technische Zusammenarbeit OSCE – Organisation for Security and Co-operation in Europe DLTP - Directorate for Large Tax Payers OLC - Office for Large Contributors IAS – International Accounting Standards MVS - Movement Verification System EWS/E – Early Warning System – Excise SEED – System for the Exchange of the Excise Data VIES - VAT Information Exchange System EMCS – Excise Movement and Control System (computerized system for the intra-Community movement and monitoring of excisable goods) OECD – Organisation for Economic Co-operation and Development REPARIS (World Bank programme) - The road to Europe – Programme of accounting reform and institutional strengthening</p>
<p>17 ECONOMIC AND MONETARY POLICY</p> <p>EMU – Economic and Monetary Union SCBS - Single Central Bank System ECB – European Central Bank</p>

IMF – International Monetary Fund GDP – Gross Domestic Product
18 STATISTICS NCA – National Classification of Activities NCO National Classification of Occupations NUTS - Nomenclature of Territorial Units for Statistics SITC - Standard International Trade Classification SRP – Statistical Register on Population UOE - UNESCO, OECD, EUROSTAT
19 SOCIAL POLICY AND EMPLOYMENT ESF – European Social Fund DIS – Decentralised implementation System NGO – Non-governmental Organisations NAP – National Action Plan SILC- Survey on Income and Living Conditions EDIS – Extended Decentralised implementation System
20 ENTERPRISE AND INDUSTRIAL POLICY SME – Small and Medium-sized Enterprises
21 TRANS-EUROPEAN NETWORKS EES – Electro-energetic System EPS – Electrical Power System SEETO-South East Europe Transport Observatory EBRD - European Bank for Reconstruction and Development HLTG - High Level Transport Group JIBIC - Студија за развој на транспортна мрежа во Западен Балкан SECI - Southeast European Cooperation Initiative TSP - Transmission System Planning UCTE - Union for Coordination for Transmission of Electricity TIRS - Transport Infrastructure Regional Study REBIS - Regional Balkan Infrastructure Studies
22 REGIONAL POLICY AND CO-ORDINATION OF STRUCTURAL INSTRUMENTS DIS – Decentralised implementation System EDIS – Extended Decentralised implementation System IPA – Instrument for Pre-accession Assistance
23 JUDICIARY AND FUNDAMENTAL RIGHTS
24 JUSTICE, FREEDOM AND SECURITY IBM - Integrated Border Management NCCBM – National Coordination Centre for Border Management NVIS - National Visa Information System
25 SCIENCE AND RESEARCH
26 EDUCATION AND CULTURE
27 ENVIRONMENT NEAP - National Environmental Action Plan GMO - genetically modified organisms EIA – Environmental Impact Assessment IPPC - Integrated Pollution Prevention and Control CORINAIR - CORe INventory of AIR emissions CDM - Clean Development Mechanism SEA – Strategic Environmental Assessment GEF – Global Environment Facility UNDP - United Nations Development Programme DNA - Designated National Authority REC – Regional Environmental Centre REACH system - Registration, Evaluation and Authorisation of Chemicals System CARDS – Community Assistance for Reconstruction, Development and Stabilisation LSGU – Local Self-Government Units
28 CONSUMER AND HEALTH PROTECTION UNCITRAL - United Nations Commission on International Trade Law OECD – Organisation for Economic Co-operation and Development

29 CUSTOMS UNION
WTO – World Trade Organisation TRIPS Agreement – Agreement on Trade-Related Aspects of Intellectual Property Rights GSP – Generalised System of Preferences TQS – Tariff Quota System CCN - Common Communication Network TARIC – Integrated Tariff of the European Communities NCTS - New Computerised Transit System
30 EXTERNAL RELATIONS
WTO – World Trade Organisation EFTA – European Free Trade Association UNMIK – United Nations Mission in Kosovo SEE – South Eastern Europe CEFTA - Central European Free Trade Agreement MBDP- Macedonian Bank for Development Promotion OECD - Organisation for Economic Co-operation and Development USAID – United States Agency for International Development GTZ – Gesellschaft für Technische Zusammenarbeit EDF - European Development Fund
31 FOREIGN, SECURITY AND DEFENCE POLICY
CFSP - Common Foreign and Security Policy FSDP – Foreign Security and Defence policy ESDP –European Security and Defence policy IAEA- International Atomic Energy Agency CTC – Counter Terrorist Committee of the United Nations Security Council ATC - Anti-terrorist Committee of the United Nations Security Council ACN – Certified Computer Unit for Access to the EU Network on Electronic Exchange of Classified CFSP Information with the Candidate - Countries ACD – CORREU - Certified Computer Unit for Access to the EU Network on Electronic Exchange of Classified CFSP Information with the Acceding - Countries
32 FINANCIAL CONTROL
33 FINANCIAL AND BUDGETARY PROVISIONS

INTRODUCTION

1. Relations of the Republic of Macedonia with the European Union

The Republic of Macedonia clearly, unambiguously and continuously expresses its strong determination for membership in the European Union. This was stressed in the Declaration on application for membership of the Republic of Macedonia in the European Union (Official Gazette of the Republic of Macedonia No. 07/04) which was unanimously adopted by the Assembly of the Republic of Macedonia.

Diplomatic relations between the Republic of Macedonia and the EU were established in 1995. In 1998, the Cooperation Agreement entered into force, and the first meeting of the Council for Cooperation was held. The first round of negotiations for the Stabilization and Association Agreement (hereinafter called SAA) between the Republic of Macedonia and the European Communities and its members began in 2000. In June 2001, the Interim Agreement entered into force, while in April 2004, following the process of ratification, the SAA entered into force.

The SAA is the existing legal framework for the relations with the European Union. The Agreement provides grounds for political dialogue and strengthens the regional cooperation, promotes the enlargement of the markets and the economic relations between the parties involved, and establishes the basis for Community technical and financial assistance. The institutional framework of the SAA provides mechanism for management and monitoring the implementation in all areas.

The Republic of Macedonia submitted its application for membership in the European Union on 22 March, 2004.

In May 2004, the Council of the European Union considered the Macedonian application for EU membership, and asked the European Commission to prepare an Opinion.

In June 2004, the Council of the European Union adopted a Decision on the Principles, Priorities and Conditions Contained in the European Partnership with the Republic of Macedonia.

On 1 October 2004, the European Commission submitted the Questionnaire to the Government of the Republic of Macedonia.

On 14 February 2005, the President of the Government of the Republic of Macedonia submitted the Answers to the Questionnaire to the President of the European Commission and to the European Commissioner in charge of the enlargement process of the European Union.

In November 2005, the European Commission issued its Opinion on the application of the Republic of Macedonia for membership in the European Union and recommended to the Council to grant the Republic of Macedonia candidate status. Finally, in December 2005, the European Council decided to grant the Republic of Macedonia candidate status for membership.

In January 2006, the Council Decision on the Principles, Priorities and Conditions in the European Partnership with the Republic of Macedonia entered into force.

While concluding the Answers to the Questionnaire of the European Commission, on the session held on 11 February 2005, the Government of the Republic of Macedonia agreed on setting the period until 2010 as a deadline for meeting the criteria required for membership in the European Union.

For that purpose, the Government initiated the preparation of a comprehensive document - the National Programme for Adoption of the Acquis (hereinafter called NPAA), which will encompass the strategic directions, policies, reforms, structures, resources and deadlines of this process. Upon the preparation of the NPAA, the Government of the Republic of Macedonia is determined to make all necessary decisions and to provide all the resources in order to meet the proposed deadline.

2. Basis for preparation of the NPAA

In the process of integration of the Republic of Macedonia in the European Union, the Government of the Republic of Macedonia has adopted a number of documents.

By signing the SAA in 2001, the first *National Programme for approximation of the national legislation to the legislation of the European Union* was prepared, and thereafter updated annually.

In 2004, the Government of the Republic of Macedonia adopted the *National Strategy for European Integration* as the fundamental document for all further activities in connection with the preparation for full EU membership.

After adoption of the Council Decision on the Principles, Priorities and Conditions contained in the European Partnership, the Government of the Republic of Macedonia adopted an *Action Plan for European Partnership for the year 2004*, responding to the short term and medium term priorities laid down in the Decision.

Following the announcement of the Analytical Report of the European Commission for the Opinion on the application of the Republic of Macedonia for EU membership and the new Decision of the Council of the European Union on the Principles, Priorities and Conditions contained in the European Partnership with the Republic of Macedonia, in December 2005 the Government of the Republic of Macedonia adopted a new *Action Plan for European Partnership*.

The NPAA integrates all of these documents and presents an integral framework of the reforms, the approximation of the legislation, the administrative capacities necessary for implementation and budgetary resources.

The planning of the NPAA activities considered the following elements: the Budget for 2006, Strategic plans of the ministries, the existing and committed foreign assistance, short-term and long-term priorities in the European Partnership and the findings in the Analytical Report of the European Commission. The medium-term planning of the NPAA activities and the necessary resources for implementation reflects the existing level of knowledge of the implications of the *acquis communautaire*.

The planning process of the NPAA financial needs was aimed to mobilize available financial resources as effectively as possible in order to ensure implementation of NPAA commitments and additional incentive for more rapid development of the state. Taking into account the volume of funds to be allocated for integration process, Macedonia will have to achieve a maximum coherence with different financial resources.

Present estimates are not final, nor complete. The planned funds of the national budget will be subject to changes as result of the actual NPAA developments, additional tasks to be carried out required by the *acquis*, other activities that could not have been foreseen at this time, and according to possibilities of financing, including the pre-accession funds. In the next period, detailed projections will have to be drawn as regards budget development, foreign assistance programming, as well as requirements in individual areas. For example, the financial impact of the implementation of the environmental *acquis*, is not completely included in current calculations.

3. Objectives of the NPAA

The NPAA is a basis for preparation of negotiation positions and negotiation process in general.

On the one hand, the Programme defines the development and strategic goals, and on the other hand it identifies the policies, reforms and necessary measures for the implementation of these goals.

The Programme also determines the detailed plan and schedule for approximation of the national legislation with the legislation of the European Union, as well as administrative structures for implementation of legislation in terms of building capacity, establishment new and/or restructuring the existing institutions, human resource developments and training needs.

The Programme also takes into account the budgetary funds and the foreign assistance funds necessary for conducting the outlined tasks. This shall be the starting point of the strategic planning and national budget planning of the Republic of Macedonia in the following years.

The Programme presents a clear picture of the reforms and activities that are to be undertaken in the following years and therefore it is important source of information for the business sector.

In addition, the Programme enables the public to understand and follow the integration process of the Republic of Macedonia in the European Union, and as such it is an important instrument for promotion and transparency of the work of the Government of the Republic of Macedonia.

In short, the NPAA provides:

- a. Good starting point for initiation of the negotiation process;
- b. Consistency between the strategic planning and the reforms;
- c. Overview of the necessary Budget funds
- d. Confirmation of the ability and dedication of the Republic of Macedonia for the integration process.

Considering the importance of the document, the Programme shall be submitted to the Assembly of the Republic of Macedonia.

4. The structure of the NPAA

The Programme follows the structure of the Copenhagen and Madrid criteria:

- Political Criteria
- Economic Criteria,
- Ability to Assume the Obligations of Membership,
- Administrative Capacity
- Preparation of the National Version of Acquis Communautaire
- Annexes

The section of **Political Criteria** elaborates the key reforms and plans in respected areas.

The section of **Economic Criteria** assesses all the economic criteria, planned economic reforms and their dynamics into separate sub-sections.

The section **Ability to Assume the Obligations of Membership** is organized in accordance with the 35 chapters of the acquis.

The internal structure of the chapters is as follows:

- Current situation (legal framework, level of approximation of the national legislation with the acquis and the policies of the European Union, institutions in charge of the implementation of the legislation and their capacity);
- Reforms planned:
 - Legal framework (describes activities aimed at approximation of legislation);
 - Institutional framework (describes activities for building capacities of the implementing institutions);
 - Building capacity requirements
 - Foreign assistance

The activities have been divided into short-term priorities (1-2 years) and medium-term priorities (until 2010).

The Administrative capacity section contains a general overview of the public administration reform.

A separate section of the Programme is devoted to the process for preparation of the **National Version of the Acquis Communautaire**, whereby, the development of the system for translation of the European Union legislation and the building of capacities and resources, have been described.

5. Calculation of fiscal implications of the NPAA (Elaboration of the Annexes)

The NPAA financial needs are linked to the State Budget Plan and to the Strategic Plans of the institutions, as well as with other sources of financing: EU, bilateral and multilateral assistance. Incorporation of NPAA and strategic priorities into the requests for national budget is responsibility of the ministries/ institutions. These three parts of the planning process: NPAA priorities/ strategic priorities, foreign assistance and national budget present the integral and dynamic framework for prioritizing the needs for the integration process. This approach of financial planning should gradually ensure complete integration of NPAA activities into the national budget planning process in the framework of the multi-annual fiscal strategy. The process needs improvements and measures to be taken by the government, in order to enable consistency of the financial aspects of the NPAA with budgetary resources.

During the drafting of the NPAA, initial data have been collected from the institutions, by two specially designed forms:

Form NPAA-1: The first part of this form concerns data for activities related to the harmonization of the legislation (titles of laws and bylaws, adoption deadlines, lists of EU measures to be transposed into the acts, as well as defining needs for technical assistance for harmonisation of the legislation. The second part of the form includes data on the institutional framework for implementation of the legislation (titles of institutions competent for implementation, building capacity needs, equipment, Information and Communication Technology (ICT) systems, training courses, technical assistance needs).

Form NPAA-2: By this form, data was collected on expenditure of each institution, for each of the chapters of the acquis, according to type of the activity (harmonization and implementation), as well as data on capital projects-investments, budget programs and programs related to the strategic priorities of the Government of the Republic of Macedonia.

In order to enable comparability and consistency of data collected, in consultation with the Ministry of Finance, the Secretariat for European Affairs prepared a **standardized list of costs** for the main categories of expenditures.

On the basis of the data collected from these forms, the following annexes have been prepared:

Annex 1: List of national legislation for harmonization with the legislation of the European Union

Annex 1 provides an overview of national legal acts to be harmonised with EU legislation, with deadlines for adoption, responsible institutions and status of legislative procedure.

Annex 2: Institution Building Requirements - Overview of planned recruitments by chapters and institutions

This annex provides a detailed overview of the strengthening of institutions with human resources, presented per years and arranged by chapters. It is important to stress that the presented numbers do not imply exclusively new employments. Appropriate personnel structure will, to the highest degree possible be provided by redeploying the existing capacities within the national administration and its institutions. Significant part of human resources needs relate to establishment of new structures (agriculture, regional policy, financial control) and strengthening the existing ones (judiciary, penitentiary system, veterinary services, financial control, customs) etc.

Annex 3: Planned financial needs

Annex 3 (Table 3.a, 3.b) comprises information about financing the envisaged short and medium term activities within the NPAA, for a period of 2006 to 2010. Table 3.a presents detailed breakdown and Table 3.b summary of financial needs envisaged.

The expenditures of the NPAA are classified according to the following parts:

1. Expenditures related to the activities for harmonization and implementation of the acquis
2. Programs and projects extracted from the national budget 2006 that are linked to the priority areas in each of the chapters of NPAA

The budgetary user numbers/ institutions, and code of the programs and projects, are the same as in the national budget.

1. Expenditure related to the activities for harmonization and implementation

The expenditures reflecting the NPAA activities for harmonization and implementation are presented in four groups (on aggregated level):

- T1: Consultancy and activities for harmonization and implementation, setting up the organizational and institutional structures, procedures, translation etc;
- T2: Training activities envisaged for harmonization and implementation
- T3: ICT systems, laboratory and other equipment
- T4: Material and operational costs for regular work of the institutions;

Expenditures for institutions (existing and new ones) are presented in each of the chapter of the NPAA.

Financial tables do not include costs related to new recruitments in the state administration. The human resource needs will be gradually solved with strengthening/ redeployment of the existing ones, and new employments in priority areas. This will need additional central government budget funds. The problem is part of a broader public administration reform, as well as the budgetary constraints.

2. Programs and projects extracted from national budget 2006

Programs and projects presented in the financial tables have been classified and have the same annotation as in the national budget for 2006:

- Capital Projects (investments) (indicated as 3A, 2A, 6D, K etc.)
- Programs related directly to the strategic priorities/ programs presenting the medium term priorities of the Government (indicated as B1, K1, BA, GA, S etc.)
- Budgetary programs, presenting the short term priorities of the budgetary users/ institutions (indicated as 20, 30, 40, B etc.)

The major portion of the investments embraces five crucial infrastructural projects in the area of electro energetic and transport systems (Chapter 21 – TENs), and investments in the environment (Chapter 27). Investment-based actions related to the key reforms are part of the macroeconomic framework that will include priorities for the pre-accession funds, as well as other sources of financing.

Programs and projects covering the political and economic criteria are focused to the medium term priorities of the government: equitable presentation, state administration reform, public sector reform, decentralization, local self government, employment, economy, and cadastre reform. Part of the government programs are linked to the priorities of the acquis chapters.

Budgetary programs, reflecting the short term priorities of the institutions, are focused in particular areas, such as: social protection, education, health, agriculture, statistics, etc.

Significant part of funds present establishing the institutional infrastructure necessary for absorption the pre-accession funds, agriculture, food safety, veterinary, customs, financial and auditing, banking sector, judiciary, corruption etc. The programs also tackle the social, education, health activities. Substantial funds are related to the development of the information society, including ICT systems in customs, public revenue office, visa integrated system, integrated border management, agriculture etc.

Horizontal issues related to the overall integration process, such as activities of the Secretariat for European Affairs, Legislation secretariat, Agency for civil servants are presented in separate Chapter: Other – Horizontal issues.

6. Monitoring and Revision of the Programme

Following the initial adoption of the Programme by the Government of the Republic of Macedonia, it shall be submitted for revision and comments to the competent bodies of the European Commission. According to the plans, the comments received are to be incorporated into the final version of the document which shall be adopted by the Government of the Republic of Macedonia in May/June 2006.

Simultaneously with the drafting of the Programme, efforts were made to establish IT support to the entire system so as to provide monitoring of the implementation.

The Secretariat for European Affairs shall present regular reports to the Government of the Republic of Macedonia, in addition to the quarterly reports that are to be submitted to the European Commission. The Programme shall be revised annually, for the purpose of its updating and upgrading.

1 POLITICAL CRITERIA

1.1 DEMOCRACY AND RULE OF LAW

The Constitution of the Republic of Macedonia was adopted by the Assembly of the Republic of Macedonia on 17.11.1991, following the Referendum of 08.09.1991, which resulted in establishing the Republic of Macedonia as an independent and sovereign state. It was subsequently amended five times by a two thirds majority. Most substantial changes were done in 2001 to provide a constitutional framework for implementation of the Ohrid Framework Agreement and in December 2005 principally targeting one of the key priorities for Macedonia – reform of the judicial system. The last amendments to the Constitution of the Republic of Macedonia, aimed at improving the efficiency and strengthening the independence of the judiciary.

1.1.1 THE ASSEMBLY

In the process of accession of the Republic of Macedonia to the membership in the EU and the approximation of the legislation with the *acquis*, the Assembly, in its capacity of a legislative power, represents a significant factor in the determining of the dynamics of the fulfilment of the standards necessary for accession to the EU. The Assembly has a crucial role in the current and upcoming legislative changes as a result of the existing agreements with the EU (The Stabilisation and Association Agreement etc.) and the current status of the Republic of Macedonia as a candidate country. Its role is also very significant prior to the screening process upon starting the negotiations with the EU and during the conduct of the detailed analysis on the level of EU harmonisation of the domestic legislation. In this regard, debates and decisions on changing the current and adoption of new laws take place in the Assembly. Hence, strengthening of the parliamentary dimension of the process is extremely important for maintaining the consensus on the strategic goal of EU accession and preserving the reform pace.

The Rules of Procedure of the Assembly lays down in detail the procedure for consideration and adoption of laws and other acts. The Rules of Procedure also set forth the instruments and the procedure through which the Assembly exercises political control and supervision over the operation of the bodies of the executive power, as well as other issues derived from the constitutional competences of the Assembly.

The operation of the Assembly, in addition to plenary sessions, is carried out also at sessions of the working committees. The Assembly adopts a decision on the establishment of the standing working committees and determines their scope of operation and number of members. The greatest part of the activities within the operation of the committees is in the function of the work at the plenary sessions of the Assembly. Seven of the standing working committees are headed by Members of Parliament from the opposition, thus enabling an active and constructive participation of the opposition parties in the operation of the Assembly, which is necessary for the democratic consolidation of the country.

The concentration of the operation of the Assembly into working committees provides for more comprehensive expert discussions in the legislative house. The Standing Working Committees review the motions for adoption of laws, drafts and proposals and draft regulations and other general acts adopted by the Parliament, as well as other issues within the scope of competence of the Assembly. The working committees provide for an equitable representation of members of parliament from the assembly's groups, as well as of those MPs who are not organised into assembly's groups. The sessions of the working committees are open to the public, i.e., scholars, experts and representatives of the local self-government, trade unions, non-governmental and other organisations, institutions or civil associations may be invited to participate at the sessions so as to air their views and opinions on the matters under discussion.

In June 2003 the Assembly adopted a Declaration on the Assembly's Dimension of the Process of Integration into EU, which provides that one session per year should be dedicated to this process. In view of providing active support to the process of Euro-integration of the Republic of Macedonia, in November 2003 the Assembly established the Committee on European Issues (CEI) which had been holding regular sessions since that date.

The Committee discusses issues related to:

- the compliance of the proposals for adopting of laws, i.e., of draft laws with the legislation of the European Union;
- the monitoring and promotion of the process of approximation of the legislation of the Republic of Macedonia with the legislation of the European Union, proposing measures for promotion of the approximation procedures, providing opinions and proposals for the activities of the working committees of the Assembly in this field;
- fulfilment of the obligations arising from the agreements between the Republic of Macedonia and the European Union;

- monitoring of the activities of the Government and the public administration bodies aimed at acquiring the membership of the Republic of Macedonia in the European Union and opinions and recommendations in relation thereto;
- implementation of the programmes and other acts of the institutions of the European Union in the Republic of Macedonia, including the financial support programmes;
- regular information of the Assembly regarding all issues of relevance for the European integration;
- initiation and realisation of activities for public information about the European integration processes;
- co-operation with relevant committees from other countries; and
- other issues concerning the European integration.

The Committee actively participates in the regional cooperation of the committees for European and Foreign Affairs of the countries of South-Eastern Europe, the EU member states and the Conference of the Committees on European Affairs of the EU member states-COSAC.

In the course of 2005, the competencies of the CEI were concretised so as to focus its operation on the monitoring of the process of harmonisation of the Macedonian legislation with the *acquis*. In addition to the Committee on European Issues, the proposed legal acts, in terms of their compliance with the EU legislation, are also reviewed by the Legislative Committee of the Assembly of RM.

For the purpose of carrying out of special tasks, interim working committees may be established, as well as inquiry committees in every field and on every issue of public interest. According to the Constitution, the Assembly establishes a Standing Inquiry Committee for Protection of Civil Freedoms and Rights. For the purpose of carrying out international multilateral and bilateral co-operation, the Assembly establishes delegations and groups, through which it participates actively in the international parliamentary structures, in the Council of Europe, OSCE, NATO, etc., and co-operates with parliaments of other countries.

A Committee on Relations between Communities has been established so as to discuss issues related to the relations among the communities and to submit proposals for consideration to the Assembly. The Committee is composed of 19 members who are appointed by the Assembly (seven ethnic Macedonians, seven ethnic Albanians and one member from each national community).

Within the frames of the European integration process the Assembly has a control and supervisory function over the operation of the executive power by virtue of quarterly reports on the activities undertaken within the European integration process that the Government submits to the Assembly. The Assembly also receives annual reports from the State Audit Office, the Ombudsman of the Republic of Macedonia and the State Commission for Prevention of Corruption and discusses them at its plenary sessions. The Public Prosecutor's Office, the National Bank of RM, State Statistical Office and the Civil Servants Agency also submit annual reports to the Assembly.

Since September 2004, a Twinning project for institutional strengthening of the Parliament is being implemented with activities for organisational adjustment and institutional strengthening of the working bodies, simplification of legislative procedures, changes in the internal systematisation and the division of responsibilities between the Government and the Assembly in the process of harmonisation of domestic with EU legislation.

The Assembly has been working continually on the co-operation with the civil organisations. For that purpose, in October 2004 the civil association MOST, in co-operation with the Assembly of RM, opened an Office for contact between the non-governmental organisations and the Assembly of RM. So far this Office has been working effectively on the linking of the civil organisations and the citizens with the legislative bodies of the Macedonian Assembly and on the inclusion of the civil sector in the decision-making process.

ELECTIONS

At the local elections, held in March 2005, which were generally held in a peaceful atmosphere and orderly manner in the greatest number of polling stations in the country, certain irregularities were noted at specific polling stations. It referred in particular to certain areas where such irregularities are recurrent.

The Government took up the task of drafting a new Electoral Code, which codifies the electoral legislation and incorporates in full the recommendations of OSCE/ODIHR.

The **Electoral Code**, one of the top political priorities for Macedonia, was adopted by the Parliament on 29 March 2006, thus paving the way for organising the general elections in July 2006. The Code, with the incorporated suggestions of the February OSCE and Venice Commission opinion, received a positive feed-back on the new and improved version. The main open issue – composition of the electoral boards was resolved by an agreement between the government coalition and the opposition. The Code envisages the composition of the electoral boards (5 members) to be mixed with civil servants (3 members) and representatives of the largest parties (2 members – 1 from the opposition and 1 from the ruling parties) that took the greatest share of votes in the previous elections. This is a transitory solution, as parties have agreed that election boards comprised

solely of public administration officials would be the ultimate solution. The President and the members of the State Electoral Commission (SEC) will perform their duty professionally and will be appointed for a 5-year term by the Parliament, with the right to a re-election. The President of SEC will be nominated by the opposition, while the other members will be chosen through a public announcement (concourse). The SEC President shall be appointed by a two-thirds majority vote in the Parliament, following the adoption of the amendment submitted by the opposition. The Electoral Code also limits the funds for campaign financing provided by natural and legal entities. The natural entities can provide a sum up to €5.000, whereas the legal entities are limited to a €20.000 donation.

The State Electoral Commission (SEC) has been enhanced with the creation of a professional Secretariat, which is now fully operational in its new premises. A Secretary General and a Deputy were appointed, along with a seven member staff. The Law on Referendum and Civil Initiative was adopted in September 2005.

1.1.2 EXECUTIVE POWER

The Government of the Republic of Macedonia is the competent body for coordination of the public administration authorities and it supervises their operation. The process of strategic planning provides the Government with a mechanism for determining of the most important objectives, i.e., for defining of the priorities, which is closely related to providing of necessary funds for them through the budgeting process. The strategic priorities of the Government for 2006 are: enhancement of the EU integration process; judicial reform; intensified economic development; employment increase and poverty reduction; fight against organised crime and corruption and implementation of the constitutional changes, laws and other regulations arising under the Framework Agreement.

The Government is composed of a Prime Minister and 17 members, of which 14 are ministers in charge of Ministries, while four members are Ministers without Portfolio. According to the Law on the Government, the Prime Minister of the Government appoints four deputies.

The Government and all of its members are accountable for their operation to the Assembly. The Assembly may vote for non-confidence in the Government. The Government itself has the right to raise the issue of confidence before the Assembly and has the right to submit its resignation

The Government adopts an Annual Work Programme, which presents an operationalisation of the Programme proposed by the mandatory upon election of the Government. The Annual Work Programme contains a list of materials and draft-acts that the ministries plan and bring up for discussion before the Government in the course of the year. The Government incorporates the strategic priorities and the fiscal policy in the Programme and the Budget of Republic of Macedonia. The Government mandatory monitors the dynamics of the implementation of the strategic priorities and the realisation of the Annual Work Programme and at the end of the year makes an analysis of the results achieved.

For the purpose of discharging of specific expert tasks, a Legislative Secretariat has been established in accordance with the Law on the Government, which performs tasks concerning the ensuring of the consistency of the legal system and providing expert opinion on the alignment of draft laws and other legal acts with the Constitution of the Republic of Macedonia, with the *acquis* and the international agreements ratified by the Assembly in accordance with the Constitution, and provides expert opinion on the regulations concerning the municipalities upon request of the Ministry of Local Self-Government.

In compliance with the amendments to the Law on the Government, a Secretariat for European Affairs in charge of coordination of the activities concerning the European integration process has been established. The current Sector for European Integration has been granted the status of an independent Government body, with the capacity of a legal person, headed by the Deputy Prime Minister in charge of European Affairs.

The amendments to the Law on Government also alter the position and the operation of the General Secretariat as a professional service within the Government of the Republic of Macedonia, which has been regulated, so far, by a decision of the Government. This amendment complies with the Strategic Plan for Development of the General Secretariat of the Government of the Republic of Macedonia.

By Decision the Government established a General Affairs Service that provides financial-material, administrative services and logistic support.

PUBLIC ADMINISTRATION

The Public Administration reform has been conceptualised in the Strategy of Reforms of the Public Administration, adopted by the Government of the Republic of Macedonia in 1999. This document sets forth the following reform principles, in particular: rule of law, transparency, competence, stability, accountability, predictability, equal treatment, efficiency and ethics.

The main objectives of the public administration reform within the framework of the EU integration are, in particular: conforming and empowering the public administration in the Republic of Macedonia for the continuous process of transposition and implementation of the *acquis*; empowering the public administration for the creation and implementation of the overall reforms of the economic, political and legal system; development of institutions that are necessary for the providing of the free transfer of goods, capital, services and people within EU.

The public administration system in the Republic of Macedonia is composed by the central core of the state administration in the three branches of power - legislative, executive and judicial - including the municipal administration, while the administration of the activities of public interest is covered by the wider concept of public administration. In the Republic of Macedonia, due to the accepted restrictive concept of the state service, there is a clear distinction between the concepts of a civil and public servant. The incumbents employed in the legislative, executive, judicial branch, administration of other governmental agencies and of the municipal administration, who discharge duties related to the functions of the state, are encompassed within the concept of a civil servant. The employees pursuing activities of public interest for the state (education and science, healthcare, social welfare, culture) fall under the wider concept of public administration, i.e. public servant.

By virtue of the amendments of the Constitution of the Republic of Macedonia from 2001 and the introduction of the principle of adequate and equitable representation of the members of communities in the public administration, the increase of the rate of representation of the members of communities has been set as one of the key priorities in the process of public administration reforms. In 2003 additional measures for improvement of the adequate and equitable representation of the members of communities in the public administration and the public enterprises were adopted, referring, in particular, to: strengthening of translation capacities, opening of bilingual jobs, analysis of open positions within the administration, and a programme for education in view of entering the public administration, as well as on the public relations matters. Within the framework of the follow-up measures, with support and funds from the CARDS 2002 programme, within the project PACE I, a training of 600 candidates for expert-administrative civil servants - members of communities has been carried out in view of their employment in the public administration bodies. There is an ongoing training course for 100 translators and 27 typists within the project PACE II, aimed at providing appropriate administrative and professional support to the use of languages of communities in the administration and in the judiciary. The overall representation of the members of communities in the administration increased from 17.7% (11.65 Albanian) at the end of 2002 to 21.3% (16.1% Albanian) at the end of 2005.

The strategic principles for professional, efficient, accountable, politically neutral and service-oriented public administration have been incorporated in the Law on Civil Servants, adopted in 2000. The Law regulates the status, rights, duties, and responsibilities of the civil servants, the salary and allowances system and the competences of the Civil Servants Agency, as an independent governmental agency, accountable to the Assembly of the Republic of Macedonia.

For the purpose of overcoming some of the problems in the implementation of the Law on Civil Servants, the Civil Servants Agency, in co-operation with the relevant institutions, has drafted comprehensive amendments to the Law and adopted them in September 2005. These amendments should contribute to: strengthening and consistent application of the established principles and standards in the sphere of selection, recruitment, accountability and assessment of civil servants; simplification and more efficient implementation of the recruitment procedure; facilitation of the horizontal mobility; a more prompt assessment of data on the civil servants, processing and entering thereof in the Civil Servants Registry; and restriction of discretionary rights of the officials.

The system of salaries and allowances for civil servants entered into force in April 2004, but only partially (the basic salary component without the career supplement). Its full implementation shall start on 1 April 2006. The implementation of the salary system and its basic component is done in a period of two years in which the amount of current salaries is levelled with the amount as defined by the Law.

Training is one of the most important components of the human resources development. It is evident that the increase of the number of training courses leads to an enhanced efficiency and effectiveness of civil servants. The strengthening of their knowledge and skills enhances the functioning of the bodies employing them and the services provided to the citizens, which is the ultimate goal of the public administration.

The Law on Civil Servants sets in place a framework for the defining of a training system, i.e., the right and responsibility of each civil servant to receive training, according to annual programmes adopted by relevant bodies and funded from the Budget of Republic of Macedonia. The Civil Servants Agency is the competent authority for coordination of activities pertaining to professional and expert training of civil servants, as well as for the promotion of the efficient and effective work of the civil servants. In view of the above, the CSA adopted the "National System of Coordination of Training of Civil Servants in the Republic of Macedonia", which lays down the basic postulates of the training policy. In addition to laying down the coordination mechanisms and instruments, it also creates an opportunity for a more organised approach to implementation of policies for training and in-service training of the public administration.

As regards the local administration and the need for training of the local staff, the Three-lateral Committee for Coordination of Training at Local Level, composed of representatives of ZELS (Association of Local Self-Government Units), MLSG and CSA, on the basis of the assessment of needs for training of civil servants at local level, develops quarterly and annual plans for training and coordinates the training implemented by the donors. The Association of Local Self-Government Units, financially supported by donors and international organisations carried out training in municipal administration, encompassing 12 subject areas. According to ZELS total of 1704 employees in the municipal administration have undergone trainings.

The expertise and quality of civil servants are key factors for the progress in the implementation of the strategic objectives of the Government of the Republic of Macedonia and for the success of the public administration reforms. Therefore, it would require a functional human resource management system, which is based on a legal framework, organisational structure, and operational procedures that cover all aspects of human resources governance and management. For that purpose the Government of RM has drafted an "Information on the Human Resources in the Public Administration of the Republic of Macedonia - status, management, development and challenges" and an "Action Plan for Implementation of Conclusions and Recommendations contained in the Information".

In order to provide for a unified approach to the utilisation of the information technology in the public administration and in the function of the political decision-making processes in general, according to the resolution of the Government of the Republic of Macedonia, and in compliance with the adopted "E-Declaration 2002 – Recommendations of an Accelerated Development of Information Society and Digital Economy in the Republic of Macedonia", the Government established a Committee for Information Technology. The main task of CIT is to provide an analysis of all previous activities in the domain of information and communications technology; coordination of all activities under way in the development of the information society; drafting of a National Strategy for the Information Society with recommendations for the Government, economy, education, science, healthcare and culture with the sole objective of approximation of the Republic of Macedonia to eEurope+, with general assumptions for: up-to-date public services, dynamic e-business environment, access to widely available networks at competitive prices and data security infrastructure.

Within the framework of the E-Government Strategy, and in view of increasing the transparency, efficiency and openness to the public of the administration, the web page <http://www.uslugi.gov.mk> has been opened, providing an online presentation of the services oriented to citizens and business entities, a basic network, security, communications, mail and collaboration infrastructure has been set in place, including a system for management of the changes and configuration of the infrastructure and the Government's intranet and the internet portal, thus providing for means of communication between the public administration and the citizens, and for promotion of the electronic exchange of information among the administrative bodies. The following stages of development of <http://www.uslugi.gov.mk> provide for upgrading that would enable a full two-way communication between the citizens and the Government.

In view of the public accessibility and transparency in the operation of information holders, the Law on Free Access to Public Information was adopted in the beginning of 2006, enabling natural and legal persons to exercise their rights to free access to public information. The Law regulates the conditions, method and procedure for exercise of the right to free access to public information at disposal of the public administration bodies and other institutions laid down by law, as well as municipal authorities, public institutions and services, public enterprises, legal and natural persons with public competences and performing activities of public interest. The Law establishes a Committee for protection of the right of free access to public information, which is independent in its functioning and decision-making. Its funding is provided from the Budget of Republic of Macedonia. It is accountable to the Assembly and submits annual reports on its operation.

LOCAL SELF-GOVERNMENT/DECENTRALISATION

Based on the actual need for reform of the local self-government, the Government of RM, in November 1999, adopted a Strategy for Reform of the Local Self-Government, but until 2001 no essential steps forward in its implementation had been made.

The Framework Agreement and the Constitutional amendments from November 2001 introduced special measures and actions for development of the local self-government. The revised Law on Local Self-Government, adopted in 2002, constitutes a solid legal framework for establishment of the new system of local self-government in RM, aimed at strengthening the powers of the municipalities and at essential extension of their scope of competence, starting from the principle of subsidiarity, in compliance with the European Charter of Local Self-Government.

The Law on Local Self-Government lays down the areas where decentralisation of power should be carried out: urban planning; local economic development; culture; education; social protection and protection of children; public utilities; environment and nature protection; sports and recreation; health care and rescue of citizens and material goods.

The Law on Territorial Organisation of the Local Self-Government and the Law on the City of Skopje, adopted in August 2004, provided for a revision of the municipal boundaries and division of the Republic of Macedonia into 84 municipalities and the City of Skopje as a separate local self-government unit. This provided for the creation of municipalities with minimum capacities for realisation of the new competences.

So as to ensure an adequate funding system that shall enable the local authorities to fulfil their responsibilities, the Law on Financing of Local Self-Government Units was adopted in September 2004.

Within the context of the development of the local self-government and the process of decentralisation, the Government of the Republic of Macedonia: adopted an Operational Programme for Decentralisation of Power; established a Coordination Body for Decentralisation composed of state secretaries from all Ministries; established a Working Committee on Decentralisation composed of representatives of all Ministries; signed a Memorandum for Cooperation with the Association of the Units of the Local-Self-Government, ZELS; adopted a Strategy for Communications within the Decentralisation Process; signed a Memorandum for Cooperation among the Ministry of Local Self-Government, ZELS and the Civil Servants Agency for co-ordination of the training for the local administration; adopted a Programme for Implementation of the Process of Decentralisation of Power for the period 2004-2007 with an Action Plan; adopted a Detailed Plan for Transfer of Competencies and Resources in the Process of Decentralisation.

The Detailed Plan for Transfer of Competencies and Resources provides for thorough definition of the activities for completion of the legal framework for the transfer of competencies and elaborates in detail the transfer of the resources (institutions, property, employees, operational assets and documentation). In accordance with the Detailed Plan, in June 2005 the Government laid down the decisions for transfer of the founder's rights to the institutions and employees in the fields of education, culture and social protection, and the decisions on the transfer of employees, movable and immovable property from the regional units of the Ministry of Transport and Communications, Ministry of Finances, Ministry of Education and Science and the Public Revenue Office. As of 31.12.2005, inclusive, the total of 551 institutions and 30.236 employees has been transferred from central to local level.

As of July 1, the process of decentralisation is being implemented under the conditions of transferred competencies, in accordance with 36 key laws from the Operational Programme on Decentralisation and with the Decisions for Transfer of Founder's Rights, Employees, Movable and Immovable Property. The essential 15 out of the total of 29 secondary legislation acts set forth in the Detailed Plan have been adopted.

The fiscal decentralisation is implemented in stages and implies establishing of a mechanism for funding of the municipalities that shall be transparent and based on objective criteria and standards. The independent funding of the units of the local self-government, out of their own sources of revenues and from additional funds provided from the Budget of RM, has started since 1 July 2005. The municipalities' own revenues are provided from the property taxes, public utility taxes, fees fixed by the municipalities and specific revenues that the municipality may generate depending on its own initiative.

The transfer of funds to the municipalities by means of transfers from the Budget of the Republic of Macedonia, in accordance with the Law on Financing of the Local Self-Government Units, has started in early July 2005. A part of the transfer may be accounted to revenues from the value added tax, allocated to the municipalities under the Decree on the Methodology for the Allocation of VAT revenues per municipalities, adopted by the Government of the Republic of Macedonia in July 2005.

The funding for the transferred competences in the field of culture, primary and secondary education, and protection of children and homes for the elderly shall be provided by means of earmarked subsidies. The amount of the earmarked subsidies shall be determined by the special Decrees on the Methodology for Allocation of Earmarked Subsidies per Municipalities. Capital investments shall be financed by capital subsidies. The funds for such subsidies are earmarked in the budgets of the Ministry of Transport and Communications, i.e., Fund for National and Regional Roads and allocated according to established criteria.

The Budget of the Republic of Macedonia for 2006 provides for the total of 1,819,000,000.00 MKD. The decentralisation is covered under the Government Programme A, which, like other Government programmes, presents the medium-term priorities of the Government, implemented by the budget beneficiaries according to their competencies.

The Plan for Resolving of Debts, adopted by the Government in July 2005 is aimed at facilitating the implementation of the fiscal decentralisation in the Republic of Macedonia. The Plan for resolving of the debts should empower the municipalities to function in accordance with the relevant legal framework. In the course of August 2005 the Ministry of Finance carried out a monitoring of the situation by sending communications to all municipalities with outstanding debts. The replies received indicated the presence of a general trend of resolving of the debts. The majority of municipalities reached agreements with the creditors for settlement of their liabilities through payment in instalments.

Upon recommendation of the Government of the Republic of Macedonia, the public enterprises “ESM” and “Makedonija Pat” have written off their payables on the grounds of interest, and for their remaining liabilities the municipalities entered into agreements for payment in instalments.

The capacity building of the municipalities in this period was carried out primarily through organisation of intensive training, supported by the donor community, and coordinated by the Three-lateral Committee for Coordination of Training composed of representatives of the Ministry of Local Self-Government, Civil Servants Agency and ZELS. The Three-lateral Committee, in accordance with the Memorandum for Cooperation, aligns, coordinates and decides on all activities in the sphere of training of civil servants in the municipal administration.

As of September 2004, a Training Support Unit is functioning in the capacity of a technical secretariat of the Three-lateral Committee with technical and financial support of UNDP.

By December 2005, the following activities have been carried out, in particular: assessment of the needs for training of the municipal civil servants as a basis for planning of the priority areas of training and development of a Strategy for Training of Civil Servants and Representatives of the Municipalities; four coordination open sessions of the Three-lateral Committee with participation of the representatives of the international donor community were held; the priority training areas at quarterly level were proposed and the training plans (April-June, July-September, October-December) were coordinated; working meetings with Mayors and Council Presidents from all municipalities were held; a Strategy for Training of Civil Servants and Representatives of the Municipalities was drafted; a web portal on training, with contents of relevance for the training of the municipal administration, was opened; three online databases within the web portal were established (database on realised training, database on the trainers, and database of organisations delivering training).

The total of 6017 persons was trained within the implementation of the quarterly training plans in the course of 2005, during the total of 622 training days. The Plan for Training for 2006 is being finalised at the moment.

The communication of the decentralisation process covers activities aimed at informing the relevant target groups on the legal framework as regards the section dealing with specific competencies to be transferred to the municipalities as of 1 July. The framework of the communication of the decentralisation process includes the following realised activities: a “Guideline Through the Competencies of the Municipalities” in Macedonian and Albanian language, was prepared for the local authorities and the local administration; regional meetings with local self-government representatives were organised so as to provide for continuous dissemination of information on the normative framework on the transfer of competencies and resources; a project for wider public information was realised, through a cycle of 10 radio broadcasts, for each separate competence, in Macedonian and Albanian language; posters were distributed in all municipalities; a booklet titled “Citizens and the Municipality” was published in Macedonian and in Albanian language; six regional meetings with representatives of the local media and a round table with participation of central, local government and the media were held.

REFORM OF THE SECURITY FORCES

The restructuring of the Ministry of Interior and the Police is carried out in line with the Police Reform Strategy adopted in 2003 and the Action Plan of December 2004, which provide that the reform should be completed in the course of 2007.

One of the most significant steps in the reform of the security forces has been the transfer of the border control from the Ministry of Defence to the Ministry of Interior and the establishment of a border police, which, as of September 2005, has fully undertaken the competence for the securing of the state borders.

Following the adoption of the Annex to the Police Reform Strategy and to the Action Plan in January 2005, the implementation of the reforms continued in all basic components – legislative framework, implementation, strengthening of institutions, inter-institutional cooperation and regional cooperation.

- The Law amending the Law on Internal Affairs, regulating the manner of election of local chiefs of police by the local councils, in compliance with the Law on Local Self-Government, has been adopted;
- The Proposal for adoption of the Law on Police has been adopted, including amendments concerning the police competencies, terms and manner of their application, as well as amendments in view of the decentralisation process and the changed role of the police at local level. The Law has been planned to serve the purpose not only of a legal framework for the full implementation of the initiated police reforms, but also as a solid fundament for the individual career development of police officials;

The Twinning Project - Advisory Support to Police Reform - 04.04/03.01 (CARDS 2004) was initiated on 01.11.2005. The selected twinning partner was the Brandenburg Province Police, the Federal Republic of Germany. The main objectives of this project in the planning and implementation of the organisational and operative police reforms are: Finalisation of the restructuring of the central police services; support to the adoption of the relevant legislation for the operation of the Police; development and adoption of rules, operative procedures and standards; organisational restructuring of the territorial police services; continuous

promotion and consolidation of the process of transparency and de-concentration of the decision-making process as well as the public accountability.

The police mission PROXIMA ended on 15 December 2005. On 24.11.2005 the Council of EU adopted a Decision on the establishment of an EU Police Advisory Team (EUPAT) in the Republic of Macedonia, with a mandate until 14 June 2006. The advisory mission is aimed at providing further support to the development of an effective and professional police service, based on the European policing standards. The mission shall be headed by the EU Special Representative in RM, and it shall advise the Macedonian Police on the full implementation of the police reforms in practice.

1.1.3 JUDICIARY (SEE, ALSO, CHAPTER 23 – JUDICIARY AND FUNDAMENTAL RIGHTS)

The Republic of Macedonia initiated the judicial reform process (the first judicial reform after the country gained its independence had been carried out in 1996) by the adoption of the Strategy on Judicial Reform and the Action Plan for its implementation in November 2004. The crucial political step for the achievement of the two key objectives of the Strategy, strengthening of the independence and increasing the efficiency of the judiciary, was made in December 2005 with the adoption of the Constitutional amendments, which provide for systemic changes in the structure of the courts, the manner of appointment and dismissal of judges and prosecutors, as well as empowering administrative organs and other organs with public mandate to deliver sanctions on the basis of law and subject them to judicial review. In practise, it shall contribute to the elimination of the influences on the selection of judges and prosecutors, alleviation of the workload of courts and overburdening thereof with minor misdemeanour cases, and allow for a certain extent of field specific specialisations of the courts.

In addition to the fact that under the constitutional amendments the appointment of the judges has transferred to the Judicial Council, the guarantees for the production of qualified and unbiased candidates for judges have been clearly strengthened by the adoption of the Law on the Academy for Training of Judges and Prosecutors (January 2006). The system for selection of candidates of the Academy, the initial training for the judges and prosecutors and passing the final exam shall be closely related to the formal appointment on the judicial function. It shall provide for objective criteria for election of judges and prosecutors. The Academy shall also provide continuous training, i.e., continuous additional specialised training of judges, prosecutors and court and public prosecutor's office clerks. The Budget for 2006 provides for a separate sub programme allocating funds for the Academy, thus providing grounds to expect that it shall become operational in the second half of the year.

As regards the increasing of the efficiency of courts, the implementation of the Strategy started near the end of 2004 and continued during 2005, resulting in significant amendments to the Criminal Code and the procedural laws. For the purpose of tightening the penal policy, introducing new incriminations and efficient suppression of organised crime in line with the EU legislation, the amendments of the Criminal Code from 2004 were aimed at: incorporation of provisions for the functioning of alternative punishments; incorporation of criminal liability of legal persons; establishment of a criminal-legal practice – confiscation of property advantages gained through criminal offences; introduction of measures for prevention of money laundering, deterrence of corruption, efficient measures concerning the incrimination of terrorism; measures for combating economic and financial crime, smuggling of migrants, etc. The amendments to the Law on Criminal Procedure in 2004 incorporated mechanisms for more efficient prevention and combating of crime, improved the solutions for servicing that prevent the unnecessary delays of the procedure, introduced provisions on special investigative measures and witness protection, and elaborated in detail the solutions concerning detention and duration thereof. As regards the civil procedure, radical changes were made to the litigation procedure and the enforcement of civil law cases. Under the new Law on Litigation, which entered into force on 01.01.2006, the courts no longer have the right to propose facts and to establish the evidence, and the burden of proof is borne by the parties; it provides for short time limits for decision-making and for undertaking of specific process actions, and it improves the service solutions, introduces fines for misuse of process authorisations by the parties in the procedure, and abandons the practice of adjournment of trial as one of the reasons for prolongation of the duration of the procedure. The Law on Enforcement, on the other hand, introduced for the first time the institution of a private enforcement agent – a person discharging public authorisations and carries out the enforcement out of the court, so as to remove the reasons for the great slowness of the process of enforcement of civil judgments (the law shall be applicable as of 26.05.2006)

It is planned to make several additional key legislative amendments in the course of 2006, which will allow for elimination of the tardiness and the backlog of cases in the courts. The Law on Courts shall institute a dual system of first instance by means of introduction of specialised departments, which shall have jurisdiction to process cases in the field of organised crime, corruption and grave criminal offences, civil claims exceeding a particular value and economic disputes. The changes shall also cover the abolition of specific basic courts with "small jurisdiction", provided it is determined that there is no need for them to function as separate courts, and that they may be transformed into court chambers. As regards the problem of the heavy burden of administrative cases for the Supreme Court, the Law on Courts and the Law on Administrative Disputes shall provide for the establishment of an Administrative court with competence for the administrative disputes and judicial control over the administrative acts adopted by the public administration bodies. The problem of the huge backlog of misdemeanour cases in the courts has been addressed by the recent constitutional amendments, which abolish the exclusive court competence for the

misdeemeanours and enable administrative bodies or organisations and other authorities performing public authorisation to pronounce sanctions for misdemeanours. In addition, the Law on Misdemeanours shall stipulate when, and for which types of misdemeanours, the administrative body or organisation, or any other authority performing public authorisations, may pronounce a sanction. The last step provides for a review of the laws containing provisions on misdemeanours, including the drafting of a specific analysis of legal regulations and the application thereof.

For the purpose of simplification and acceleration of the court procedures, more efficient management of court cases and keeping of statistics, by the end of 2007 it is planned to complete in full the process of introduction of a functional IT system in all institutions of the judiciary and to provide for their networking. In view of the above, by the end of 2006 it is planned to carry out:

- Procurement of hardware that shall fully satisfy the needs of courts, Public Prosecutor's Offices, the Judicial Council and the Directorate for Execution of Sanctions, including the penitentiary institutions;
- Equipment and start of operation of the Judicial IT centre;
- Implementation of software in courts, Public Prosecutor's Offices, Judicial Council and penitentiary institutions for the purpose of upgrading of the Judiciary Information System;
- Development and commissioning of a Legal Database Information System;
- Initiation of training of employees of judicial institutions on the use of the software applications (Judiciary Information System and Legal Database Information System).

The completion of the above-mentioned activities should be followed by IT networking of the Ministry of Justice, Supreme Court of RM, courts, Public Prosecutor's Offices, the Judicial Council, Directorate for Execution of Sanctions, and penitentiary institutions into a single functional system.

As regards the reform of the penitentiary system, the new Law on Execution of Sanctions was adopted in late December 2005. The law, inter alia, emphasises the improvement of the conditions in the penitentiary institutions and the exercise of the guaranteed rights of the convicted persons, the Directorate for Execution of Sanctions, as an organisational unit of the Ministry of Justice is granted the status of a legal person, re-defining the organisational setup of the penitentiary institution network, and legal grounds are provided for setting up the Centre for Training of Employees of Penitentiary Institutions. The short-term plan, in line with the new penitentiary institution network, provides for start of the adaptation of the facilities of the penitentiary institutions in Shtip, Kumanovo and Strumica, and of the facilities in Prilep that are intended to serve as a juvenile penitentiary institution. Successively, to 2008, inclusive, it is planned to complete the full adaptation and reconstruction of KPU Idrizovo.

1.1.4 ANTI-CORRUPTION POLICY (SEE ALSO CHAPTER 23 – JUDICIARY AND FUNDAMENTAL RIGHTS)

The phenomenon of "corruption" is one of the many problems that affect the modern society, and the Republic of Macedonia is not an exception to this rule. The Republic of Macedonia is aware about the existence of this problem and thus, makes continuous efforts in the fight against corruption in all its forms. The surveys of the public opinion concerning corruption point out to an increased public awareness of this problem. The public has a perception of a high incidence of corruption, while the foreign investors deem it to be one of the most dissuasive factors for the direct foreign investments. The ultimate goal of the Government is to create an environment of "zero tolerance" for corruption by turning it into a low-profit and high-risk activity. To demonstrate the political will and raise the public awareness for the fight against corruption, on 09.12.2005 the Government officials joined the initiative of signing the *Declaration of zero tolerance for corruption* together with representatives from the public, political, private and non-governmental sector. The signatories pledged that the joint effort of the public, political and private sector in cooperation with civil society will strengthen the legal and political measures for overcoming the problem of corruption contained in this Declaration, thus contributing to the establishment of a transparent society.

Raising the effectiveness of the fight against corruption remains to be one of the Government's highest priorities, having in mind the conclusions/recommendations of the European Commission Opinion. In this context in the previous period Republic of Macedonia has adopted and upgraded its anti-corruption legislation: Law on Prevention of Corruption (as *lex specialis*); amendments to the Criminal Law, Law on Criminal Procedure and Law on Public Prosecutor's Office (setting up special Unit for fighting organised crime and corruption); Law on Prevention of Money Laundering and Other Proceeds from Crime, Law on Financing of Political Parties, Law on Public Procurement, Law on State Audit, Law on Protection of Witnesses etc. These acts provide for criminalisation of corruption introducing a range of offences – active and passive bribery, trading in influence, money laundering of proceeds from corruption, account offences, promising or offering of bribe, liability of legal persons for corruption criminal offences etc. The Law on Prevention of Corruption defines the measures and the activities for prevention of corruption in exerting power, public authority, official duty and in politics; the measures and activities for prevention of conflict of interests; prevention of corruption while performing matters of public interest of legal entities with public authorisations, as well as prevention of corruption in the private sector. In 2003 the National Programme with the Action Plan was adopted as a strategic national document for prevention and suppression of corruption. The National Programme includes recommendations as to the necessary measures and activities that are to be undertaken in order to establish an efficient system of prevention and suppression of

corruption. The Action Plan envisages short, medium and long-term objectives, as well as a system of monitoring and evaluation of the implementation of the National Programme.

Confronting corruptive practices requires strong inter-institutional cooperation since consistent implementation of the anti-corruption legislation falls within the scope of different competent authorities. Within this context the Memorandum of Cooperation in the combat against organised crime was signed on 24.06.2005 by the Public Prosecutor's Office, Ministry of Interior, Customs Administration, Public Revenue Office, and Directorate for Prevention of Money Laundering and the Financial Police. Guidelines also exist on the cooperation between the State Commission for the Prevention of Corruption and the State Administrative Bodies, Public Enterprises, Public Institutions and other legal entities managing with state capital. To further streamline the cooperation and enable efficient flow of information in 2006 an inter-ministerial body for anti-corruption was established (in line with the GRECO recommendations). The State Committee for Prevention of Corruption (SCPC) in its Annual performance report in December 2005 evaluated its cooperation with the other state bodies as positive, i.e. more favourable compared to earlier.

On sectoral level the regular updating of the Single Public Procurement Registry is efficient way of improving transparency of the public administration. Specifically the Public Procurement Bureau publishes the reports for completed public procurement on its website. Thus, the Bureau fulfils its duty toward the State Committee for Prevention of Corruption (SCPC) – submitting reports for the concluded public procurement.

Customs administration has also worked hard to address corruption amongst its own staff. The telephone line (197) has made an impact, and the indication is that there has been a decrease in unethical behaviour as well as cases of dismissed officials for corruption-related activity. The measures already in place (including a reward scheme) add to the conclusion that Customs is currently amongst most transparent bodies within the country.

The fight against corruption is also based on numerous international conventions signed and ratified by the Republic of Macedonia (Council of Europe Criminal Law Convention on Corruption and its Additional Protocol, Council of Europe Civil Law Convention on Corruption, Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, United Nations Convention against Trans-national Organised Crime (Palermo Convention) with the protocols, the European Convention on Mutual Assistance in Criminal Matters and its Additional Protocol and the second Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters).

One of the main factors for successful fight against corruption is the scoping of the extent of the corruption, as well as its measuring and determining in all concrete spheres of the society. The main recommendation according to the GRECO First Evaluation Report is to conduct regular studies on the corruption scoping. The main carriers of such studies in RM are the non-governmental organisations, which conduct studies and researches in the field of corruption. In that context, a survey was carried out within the state administration as well as scientific study of the phenomenon of corruption carried out with the assistance of the British Embassy. A survey on corruption perception was also conducted by the Institute for Sociological and Political Legal Research.

The successful monitoring of the fight against corruption, as well as the assessment of achievements, would require the establishment of indicators, which shall define clear grounds and guidelines for the efficiency of the implementation of the anti-corruption measures and activities. Such indicators may include reporting on corruption cases, comparative and statistical analysis of initiated and completed investigations in the field of corruption, number of initiated procedures, number of verdicts reached, the public perspective and the public opinion concerning corruption and the fight against it in general. One of the key mechanisms in this field is the establishment of the Early Warning System, which, by issuing reports, makes a review of the current situation in different spheres of the society, including the fight against corruption. Such system has already been established in RM, and the reports are prepared at a quarterly level in cooperation with UNDP.

The need for identification of the extent of corruption and the methods for measuring the extent of corruption are the basic assumptions for the further successful fight against corruption. Within this context, the Republic of Macedonia plans to introduce a "scoping" mechanism for identification of the extent of corruption.

As regards the successful implementation of the strategic documents for the fight against corruption, the emphasis in the future shall be placed on the strengthening of the cooperation among the competent authorities and enhancing consultations among government, the private sector and civil society. The concrete measures and activities in this direction include the establishing and continuing updating of databases, exchange of information, coordination of activities, avoiding the overlapping of competencies, training of the employees of competent authorities, as well as their strengthening by providing the necessary equipment.

The support to the fight against corruption in terms of the legal framework in the following period provides for adoption of new laws, such as the Law on Free Access to Public Information and the Law on Prevention of Conflict of Interests, which should strengthen the previous strategic documents. It is expected that the implementation of the Law on Free Access to Public

Information shall contribute to the improvement of the fight against corruption, thus providing greater publicity and transparency in the operation of holders of information, as well as citizen's access to public information (would increase communications and information access on anti-corruption issues). The Law also introduces a Committee for protection of the right of free access to public information which is independent in its functioning and decision-making. The Law on Conflict of Interests on the other hand would determine in detail the measures and activities for preventing conflict of interests and identifying the cases of conflict of interest in performing duties of public interest, and their corresponding sanctioning. Procedures would be established for identifying, managing and resolving conflict-of-interest situations. Both of these laws are planned to be adopted in first half of 2006.

With the purpose of overcoming the current problems of the Financial Police when dealing with criminal deeds in its jurisdiction, and especially in terms of overlapping of competences and exchange of information between the Financial Police, the Customs Administration, the Public Revenue Office and the Ministry of Interior, a new Law on Financial Police is being drafted.

An important step in effective fight against corruption is the recent ratification of the UN Convention against Corruption. By the end of 2006, signing of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions is also expected.

1.2 HUMAN RIGHTS AND PROTECTION OF MINORITIES (see, also, Chapter 23 - Judiciary and fundamental rights)

The Constitution of the Republic of Macedonia includes, among the fundamental values of the Constitutional order, the basic freedoms and rights of the individual and citizen, recognised in international law and determined with the Constitution, as well as the respect of the generally accepted international legal norms. The provisions pertaining to individual rights and freedoms in the Constitution of the Republic of Macedonia are very similar to those in the Constitutions of other European countries. Promotion, enhancement and protection of basic human rights and freedoms are among the highest political commitments of the Republic of Macedonia. On a national level, this commitment entails consistency in the implementation of policies accepted regionally and globally, which have been transposed into international human rights instruments. Article 118 of the Constitution sets forth that once the international instruments are approved in the Assembly of the Republic of Macedonia, their provisions become part of the domestic law and take precedence over the national legislation.

Republic of Macedonia has wide and dispersed legislative framework that guarantees the respect of human rights and the rights of minorities. Among other instruments protecting human rights and minorities, the Republic of Macedonia has ratified the European Convention for the Protection of Human Rights and Fundamental Freedoms and its additional protocols, European Convention on the Prevention of Torture, the European Charter for Regional and Minority Languages and the 1996 European Social Charter. The key existing UN conventions in the field of human rights and their Protocols are also ratified. Taken as a whole, this constitutes – pursuant to Article 6 of the Treaty on the European Union - part of the *acquis* that any State wishing to join the EU must first have ratified.

Republic of Macedonia has been a member of the Council of Europe since November 1995. Citizens of the Republic of Macedonia may take their case to the European Court if they consider that their rights under the European Convention for the Protection of Human Rights have been violated. The case law of the European Court of Human Rights also represents relevant basis for reviewing the Macedonian legislation and for its approximation with the European accepted standards. Within this context, the Government complements the preventive action in the sphere of human rights with a continuous monitoring of the jurisprudence of the European Court of Human Rights. A number of amendments to several domestic laws in recent years have been a result of the Court's interpretations in cases against other High Contracting Parties. For the purpose of strengthening of the monitoring of the jurisprudence of the ECHR, it is planned to regularly publicise the cases and procedures against the Republic of Macedonia before the ECHR.

CIVIL AND POLITICAL RIGHTS

The civil and political rights are guaranteed by the Constitution and a wide legislative framework. The principle of equality of citizens before the law is incorporated in article 9 of the Constitution, which contains the anti-discriminatory clause under which all citizens of the Republic of Macedonia are equal in their freedoms and rights, regardless of sex, race, colour of skin, national and social origin, political and religious beliefs, property and social status.

Free legal aid according to the Law on Criminal Procedure and the Law on Civil Procedure is available in cases of criminal and civil law, and it is especially regulated in the Code for professional ethics of the Bar Chamber. The Law on Criminal Procedure provides that every accused has the right to have legal assistance free of charge if he cannot afford to pay. The free legal aid granted *in criminal matters* by law is applied in practice. Free legal assistance in, civil law is regulated by the Law on Litigation Procedure which prescribes the so called indigent law as a form of relief for the participants in the procedure. The Bar is obliged to grant free assistance to poor citizens. Hence, the Bar Association set up 6 offices in different cities of Macedonia which grant

legal aid to people who do not have sufficient financial resources. Due to the fact that in practice the instrument of free legal assistance in civil procedure is not satisfactorily applied efforts would be made for the citizens to be promptly and well informed of this right and "the lawyers sometimes tend to avoid providing free legal assistance."

In article 11 the Constitution of RM guarantees the irrevocability of the human right to physical and moral dignity, prohibiting any form of torture, inhuman or degrading treatment or punishment, slavery and forced labour. The current legislation has been fully harmonised with the European Convention on the Prevention of Torture and Inhuman or Degrading Treatment and Punishment of the Council of Europe from November 1987. The Constitution protects every person from any form of ill-treatment, whether free or in detention, both by the law enforcement officials and by individual citizens. Sector for Internal Control and Professional Standards has been established in the Ministry of the Interior to investigate cases of abuse of official position and authority. In the upcoming period capacities of the Professional Standards Unit within the Mol for detection and investigation of misconduct would be strengthened. Also regular reports to the Government on recorded cases of use of force and on the undertaken disciplinary and criminal procedures by all law-enforcement bodies would be submitted so as to provide input for improvement of the procedures for detection and investigation of the irregularities and their implementation. Adoption and implementation of a programme for training in observance of human rights within the Centre for Training of Penitentiary staff is also envisaged.

Right to liberty and security of person has been included in Article 12 of the Constitution. Its provisions guarantee the inviolability of human freedom and determine the cases and conditions under which liberty of a person accused for a criminal offence may be restricted. The Constitution treats the right to liberty as an irrevocable right that is a right that may not be arbitrarily restricted. Under the Constitution, this right can be restricted only by a court decision and in a procedure determined by law. The length of pre-trial detention is defined precisely by law, with guarantees for the person deprived of liberty that are in line with international standards. The analyses of the Criminal Code and Law on Criminal Procedure in second half of 2006/beginning of 2007 would include possible revision of the provision for mandatory detention when there is founded suspicion that a criminal act, which can be sentenced with life imprisonment has been committed as well as modalities of use of "informative talks" by the police.

The right to fair trial is guaranteed by several provisions of the Constitution of the Republic of Macedonia which concern the presumption of innocence of the indicted person (article 13, paragraph 1), the right to legal redress in case of unlawful conviction (article 13, paragraph 2), and the rights of a person detained under suspicion that he/she perpetrated a criminal offence (article 12).

To further enhance the efforts to combat trafficking in human beings a Strategy for Combating Illegal Immigration and Trafficking in Human Beings, with a corresponding Action Plan, was adopted by the Government in March 2006. The Strategy is a follow-up of the corresponding Programme adopted in 2002 and largely implemented. The Action Plan to combat trafficking in children is introduced as an Annex to the Strategy. The documents envisage support to protection of the victims and witnesses, improvement of the investigation process and the persecution of the perpetrators, etc. The National Commission for the fight against Trafficking in human beings and Illegal Migration was set up in 2001, while the Criminal Code was amended in 2004 to criminalise the trafficking of human beings and the smuggling of migrants.

The right to respect and protection of the citizen's privacy of his/her personal and family life and the inviolability of the home is guaranteed by several articles of the Constitution. Article 25 guarantees in general terms the protection of the privacy of the individual's personal and family life and his/her dignity and reputation. Article 18 of the Constitution of the Republic of Macedonia guarantees security and privacy of personal information. The same Article guarantees citizens protection from violation of the personal integrity, deriving from the registering of personal information through data processing. Aimed at ensuring privacy and confidentiality of personal information, which are subject to collection, processing, storing, using and exchange in the form of automated or hand kept databases, during 2005 a Law on Personal Data Protection was adopted and Directorate for Personal Data Protection was established. The Constitution was amended to ensure the grounds for precise legal regulation of the use of telephone tapping and other special investigative measures in the fight against organised crime and strict judicial control of such measures. The right to inviolability of correspondence and all other forms of communication may be limited only based on a court decision, under conditions and in a procedure set forth in law, and if necessary for prevention or detection of crimes, for purposes of instituting criminal procedures or when this is required by the interests of the security and defence of the Republic of Macedonia. In order to precisely regulate the conditions and procedure for communication interception, the manner of implementing, storage and utilisation of acquired information and data, as well as the manner of establishing control of the legality of communication interception, a Law on Communication Interception was prepared that is in second reading in the Assembly.

Article 16 of the Constitution guarantees the freedom of conviction, conscience, thought and public expression of thought. The Constitution in Article 19 contains special guarantee of the freedom of religious confession, as well as the right to express one's faith freely and publicly, individually or with others. This area is governed by the Law on Religious Communities and Groups. At present this Law is a subject of review so as to address the OSCE recommendations and would be adopted by the end of 2006.

The Constitution of the Republic of Macedonia guarantees the right to freedom of expression as a complex right composed of the following components: freedom of conviction, conscience, thought and public expression of thought; freedom of speech, public address, public information and establishment of institutions for public information; free access to information, freedom of reception and transmission of information; right to a reply in the mass media; right to a correction in the mass media and right to protect a source of information in the mass media; and prohibition of censorship. The new Law on Broadcasting was adopted in November 2005 and serves as the final step in the harmonisation of the legislative framework of audiovisual policy with the EU regulations, in particular integrating the TV without frontiers directive. This law ensures greater independence of the regulatory body - the Broadcasting Council. It contains provisions that guarantee and address issues concerning the protection of freedom of expression. It also guarantees the right of access to information and the confidentiality of the source of information used in broadcasting programs. In view of the full exercise of the right of access to information all public spheres the new Law on Free Access to Public Information is expected to be adopted by the Assembly in January 2006. The law would provide greater publicity and transparency in the operation of holders of information, as well as citizen's access to public information. The law also regulates the terms, conditions and procedures for accessing the public information held by the public administration bodies and institutions, as well as the bodies of the municipalities, public institutions and services, public enterprises, legal and natural entities that perform public duties and duties of public interest. It introduces a Committee for protection of the right of free access to public information that is independent in its functioning and decision-making. In order to strengthen the legislative provisions for freedom of expression, especially in relation to journalists, changes to the Criminal Code in the direction of libel decriminalisation are ongoing. Following these changes, prison sentences for acts of libel will be abolished and libel cases will be sanctioned only with fines.

The freedom of association has been guaranteed in Article 20 of the Constitution of the Republic of Macedonia. Citizens are guaranteed freedom of association to exercise and protect their political, economic, social, cultural and other rights and convictions. The Law on Associations of Citizens and Foundations governs the manner, conditions and procedure for establishing, registration, operation and termination of civil society associations and foundations. By the end of 2006, the Law on Associations of Citizens and Foundations would be amended in order to provide a possibility for legal persons to establish associations of citizens and foundations. The changes would also concern the role of foreign citizens in the process of registration and management of the associations, and the register of associations of citizens and foundations would be transferred within the competence of the Central Register.

Further enhancement of these anti-discriminatory legislation would be provided with the adoption of a Law on Equal Opportunities between Men and Women by the end of 2006. Also, an analysis shall be conducted regarding the need of adopting a systemic (general) law against discrimination after which it would be decided whether a separate anti-discrimination law shall be prepared or the subject-matter shall be regulated in a diffused manner by the existent laws.

The process of restitution of property expropriated during the Yugoslav communist regime is regulated by the Law on Denationalisation. Since 2002, the implementation of the decisions taken where the properties could not be handed back and the owners are compensated by bonds has been encountering difficulties, due to delays in the committee deciding in second instance on administrative denationalisation matters. Yet, according to the previous dynamics of the denationalisation process, it is anticipated that the greatest number of cases (around 90%) in administrative procedure shall be completed by the end of 2008.

In order to contribute towards further strengthening of the civil sector the envisaged changes of the Law on Associations of Citizens and Foundations are planned to provide tax relieves for citizens' organizations, enticing the development of the civil society in the Republic of Macedonia. With the purpose of building an effective partnership with the civil society organisations, a Unit for Cooperation with non governmental organizations was formed in the Sector for Policy Analysis and Coordination which operates within the General Secretariat of the Government of the Republic of Macedonia. This Unit ensures the existence of an effective institutional channel for consultation between the Government and civil society.

ECONOMIC AND SOCIAL RIGHTS

The Republic of Macedonia ratified the European Social Charter in December 2004. By ratifying the Charter, as one of the most important documents of the Council of Europe, the Republic of Macedonia expressed its will and readiness to conform to the established standards in the field of social insurance and social protection and to implement them into practice. Having regard to the fact there is a continuous ongoing process of reforms in the field of social insurance and social protection in the Republic of Macedonia, such as the regulations of the labour legislation, legislation on health insurance, on pension and disability insurance, social protection, safety at work and other regulations, it is planned, in case of any instances where incompliance with the Charter shall be determined, to make the necessary amendments of the existing regulations or to adopt new ones that shall be fully compliant with the standards of the Charter. Particular laws, such as the new Law on Labour Relations, have already been fully approximated to the legislation of the European Union, taking into consideration the fundamental values set forth by the Charter and the new regulations' compliance therewith.

The National Action Plan for Protection of the Rights of the Child outlines the policy of the Republic of Macedonia in terms of the protection of children for the period of 2005-2015. The plan is based on the internationally recognised standards for protection of children established with the Convention on the Rights of the Child, which prohibit discrimination, ensure the best interest of children and promote child participation. It is prepared by the line ministries and in cooperation with the office of the Ombudsman.

The right to trade union organisation of working people is a constitutional category. The Constitution of the Republic of Macedonia in article 37 stipulates the right of citizens to establish trade unions for the purpose of exercise of their economic and social rights. Trade unions can constitute confederations and become members of international trade union organisations. The trade union organisation is also regulated by a special section of the Law on Labour Relations. Article 84 of this Law provides for the right of employees to establish trade unions for the purpose of exercise of their economic and social rights arising from their employment, laid down by Law and by the collective agreements.

According to the Law on the Public Administrative Bodies, the public administration bodies, in the drafting of laws and other regulations within their scope of competence, provide for consultations with the citizens by virtue of publication of the type, contents and time limits for adoption of laws and other legal acts, organisation of public debates and surveying the opinion of the interested civil associations and other legal persons, etc. This guarantees the inclusion of a wider spectrum of social groups in the decision-making process and in the drafting of the legislation in RM.

The right to education and the related rights and freedoms are guaranteed by articles 44, 45 and 46, while the freedom of scholarly, artistic and other forms of creative work is guaranteed by article 47. The citizens also have the right, under conditions laid down by law, to establish private schools at all levels of education, with the exception of primary education (article 45 of the Constitution of RM). The Constitution guarantees the autonomy of universities, while the conditions of establishment, performance and termination of the activities of a university are regulated by law (article 46 of the Constitution of RM).

MINORITY RIGHTS, PROTECTION OF MINORITIES AND CULTURAL RIGHTS

The Constitution of the Republic of Macedonia regulates the rights of the members of communities and religious groups on two levels: the first one is through the principle of equality of all citizens before the Constitution and the laws, and the other one is through the prohibition of all forms of discrimination. The first principle has been clearly defined in Article 9 of the Constitution. This level as a primary value and a basis of the democratic and liberal society secures the protection of individual rights of every citizen of the Republic of Macedonia. The second level represents a system of special rights of the members of the communities and religious groups. It provides for protection of and guarantees to the right to cultural identity of all citizens of the Republic of Macedonia as well as the equality of distinctive cultural communities as groups. The second level of constitutional guarantees, further on developed through the relevant legal norms, secures the rights of every citizen to self-identification and to self-definition in a cultural sense as well as the right to fair opportunities for promotion of the cultural diversity and distinctiveness of the various ethnic communities. This second group of norms has been defined in Article 48 of the Constitution. The constitutional amendments initiated by the signing of the Framework Agreement introduced a large number of measures for active and fast changing of the degree of participation of non-majority communities in many spheres, primarily by ensuring adequate and equitable representation and by positive discrimination.

The Republic of Macedonia has ratified the Framework Convention for the Protection of National Minorities. As regards the implementation of the FCPNM, one should bear in mind that, in addition to the obligations arising from this Convention, the basic framework for the minority protection policy in the Republic of Macedonia is the implementation of the Framework Agreement, which largely exceeds the standards laid down by the Framework Convention for the Protection of National Minorities. The European Charter for Regional and Minority Languages has also been signed and is awaiting ratification.

The right of ethnic communities to establish private educational institutions, guaranteed by article 13 of the Convention, has been transposed in the legislation of the Republic of Macedonia, with the exception of primary education. Namely, in accordance with the Constitution of the Republic of Macedonia (article 45), the citizens have the right to establish private schools at all levels of education, with the exception of primary education. The right to establishment of higher education institutions is guaranteed under article 34 of the Law on Higher Education. The Law on Higher Education was amended to provide for affirmative action in the enrolment process at State universities (Skopje, Bitola) and in 2004 a third State University was founded in Tetovo. As a result of these efforts, the number of students belonging to minorities increased from 12.6% of the total number of students enrolled in 2001/2002 to 20.6% in 2004/2005. In particular, the number of ethnic Albanians rose from 6.7% to 15.5%.

The Law on the use of flags adopted in 2005 guarantees the right of ethnic communities in Macedonia to use flags for expressing their identity. According to this law, flag denotes the flag which the ethnic community has chosen and uses for expressing of identity.

With a view to meeting the specific needs of the Roma in RM, in 2005 the Government adopted the National Strategy and Action Plan for the Roma Decade. The motive behind the drafting of such a document, dedicated exclusively to the Roma, is determined

by the necessity for development of a comprehensive and consistent policy that shall identify the crucial topics and problems referring to particular specifics and providing for a concrete action programme for implementation of the promoted policy. The National Strategy for the Roma serves the purpose of a guideline for policy development in RM in view of protection and promotion of the rights of this community in RM.

Generally speaking, the legislative framework of RM has been largely harmonised with the international standards on the protection of human rights. Nevertheless, the exercise of human rights in practice requires a more critical evaluation than the one of their normative regulation. Therefore, RM is working continuously towards the upgrading of the existing mechanisms for protection of human rights. In addition to the regular courts, a significant role in the protection of the human rights was given to the Constitutional Court of the Republic of Macedonia, The Ombudsman of the Republic of Macedonia, as well as to the Standing Inquiry Committee on human rights of the Assembly of the Republic of Macedonia. These institutions work in joint coordination so as to provide an effective framework for implementation of the legal provisions for protection of human rights.

FRAMEWORK AGREEMENT

The Framework Agreement was signed in Ohrid on 13 August 2001 and it presents a harmonised framework for the development of an integrated multiethnic society that would guarantee the peace, stability, and democratic development of the Republic of Macedonia. The Framework Agreement expressed the inviolability of the sovereignty, territorial integrity and the unitary character of the state, and restored the stability on the entire territory of the country by developing mechanisms for further confidence building. The Framework Agreement entails substantial changes of the constitutional order and the legislation aimed at significant promotion of the rights of the communities which shall discourage the motives for ethnic conflicts in the Macedonian society. Furthermore, the principles of equitable representation and enhanced inclusion in the public life constitute the bases for reintegration of the Macedonian society and strengthening of its cohesion. Therefore, the Framework Agreement has become a prerequisite for economic development, investments and opening of new jobs, as well as for the integration of the Republic of Macedonia in EU and NATO.

The implementation of the Framework Agreement is a complex process to be carried out in continuity. Its implementation means not only setting the fundamentals of the stability of the country, but also a development of a democratic and prosperous Republic of Macedonia. The full and timely implementation of the obligations arising from the Framework Agreement is one of the highest strategic priorities of the Government.

The implementation of the Framework Agreement has been also reflected in amendments of the Constitution of the Republic of Macedonia, amendments of laws and secondary legislation, as well as on the functioning of the state authorities and of public institutions. The following areas have been covered:

- Development of a decentralised government – the competencies of the local self-government have been increased considerably by virtue of the fiscal decentralisation and the reviewing of the territorial organisation of the country (the following laws were adopted/amended: Law on Local Self-Government, Law on Territorial Organisation of the Local Self-Government, Law on the City of Skopje, Law on Financing of Local Self-Government Units, Law on Public Utility Taxes, Law on Administrative Taxes, Law on Property Taxes, Law on Internal Affairs). In addition, the Assembly adopted a series of sectoral laws that define the transfer of competencies from the central to the local government in accordance with the adopted Operational Programme for Decentralisation;
- Non-discrimination and equitable representation – the principle of non-discrimination, equal treatment, adequate and equitable representation have been reflected in the changes of the Constitution and the legislation. The Constitutional amendments provided for:
 - adequate and equitable representation of the citizens belonging to the communities in the public administration bodies and in other public institutions at all levels;
 - The Ombudsman is elected by the majority of the votes of the total number of Members of Assembly, within which there must be a majority of the votes of the total number of Members of Parliament belonging to the non-majority communities in the Republic of Macedonia, and, in the protection of the constitutional and legal rights of the citizens, he should dedicate special attention to the protection of the principles of non-discrimination and of adequate and equitable representation of the members of communities in the public administration bodies, the bodies of the local self-government units and in the public institutions and services;
 - the President of the Republic, when appointing the three members of the Security Council, should ensure that its composition reflects adequately the composition of the population of the Republic of Macedonia;
 - three of the members of the Judicial Council are elected by the majority of the votes of the total number of Members of Parliament, within which there must be a majority of the votes of the total number of Members of Parliament belonging to the non-majority communities in the Republic of Macedonia;
 - three of the judges of the Constitutional Court are elected by the majority of the votes of the total number of Members of Parliament, within which there must be a majority of the votes of the total number of Members of Parliament belonging to the non-majority communities in the Republic of Macedonia;

For the purpose of incorporation of provisions on the equitable representation of the citizens belonging to all communities, the following laws have been adopted/ amended: Law on Civil Servants, Law on the Ombudsman, Law on Labour Relations, Law on Public Enterprises, Law on Public Prosecutor's Office, and Law on Courts.

In the period following the signing of the Framework Agreement, The Government of the Republic of Macedonia introduced special policies aimed at practical improvement of the equitable representation of the non-majority communities in the public administration, with special emphasis on the police and army structures. Thus, the representation of the members of the communities in the Ministry of Interior has increased from 7.7% (3.6% Albanians) in 2001 to 19.5% (13.31% Albanians) in July 2005 (the proportion of uniformed police officers belonging to non-majority communities is higher). Equitable representation in the Ministry of Defence rose from 8.87% (2.25% Albanians) in 2001 to 16% (10.2% Albanians) in 2004. The participation of non-majority communities in the public administration has marked a rise from 17.7% (11.65 Albanians) at the end of 2002 to 21.3% (16.1% Albanians) by the end of 2005.

- Introduction of parliamentary procedures – the adopted constitutional amendments stipulated:
 - On the laws directly concerning culture, use of languages, education, personal documents and use of symbols, the Assembly decides with the majority of the votes of the total number of Members of Parliament, within which there must be a majority of the votes of the total number of Members of Parliament belonging to the non-majority communities in the Republic of Macedonia;
 - That the Assembly shall establish a Committee on Relations between the Communities, which shall address matters concerning the relations among the communities in the Republic and provide opinions and proposals for resolving thereof;
 - The local self-government shall be regulated by a law adopted by a two-thirds majority of the votes of the total number of Members of Parliament, within which there must be a majority of the votes of the total number of Members of Parliament belonging to the non-majority communities in the Republic of Macedonia, as well as that the Laws on Financing the Local Self-Government Units, Law on Local Elections, municipal boundaries and Law on the City of Skopje shall be adopted by the majority of the votes of the total number of Members of Parliament, within which there must be a majority of the votes of the total number of Members of Parliament belonging to the non-majority communities in the Republic of Macedonia;
 - Decisions on amendments of the Preamble, articles concerning the Law on Local Self-Government, as well as any provision concerning the rights of the members of the communities (including, in particular, articles 7, 8, 9, 19, 48, 56, 69, 77, 78, 86, 104 and 109) as well as any decision on the inclusion of any provision concerning the scope of those provisions and articles, shall require a two-thirds majority of the votes of the total number of Members of Parliament, within which there must be a majority of the votes of the total number of Members of Parliament belonging to the non-majority communities in the Republic of Macedonia.
- Education and use of languages – the right of minorities ("non-majority ethnic communities") to primary and secondary education is set forth in the 1991 Constitution (article 48), as well as in the applicable regulations of the SRM within the frames of the former SFRY. This right has already been implemented in practice, so that this aspect of the Framework Agreement only reiterates and emphasises the already existing normative and factual situation. The amendments to the laws on primary and secondary education provided for pedagogical record keeping, in addition to Macedonian language and the Cyrillic alphabet, also in the languages and alphabets of the communities. The adoption of Law on the Establishment of the State University in Tetovo meant a full implementation of the obligation for state financing of the higher education in the language spoken by at least 20% of the population of RM (it has started its first academic year in 2004/05, following the accreditation procedure). On the other hand, by the adoption of the Law amending the Law on Higher Education, the positive discrimination has become a legal obligation in the process of enrolment at the State universities (this measure has been a standard practice in the enrolment at State universities since 1994). By the establishment of the SEE University (privately funded, supported by the international community, which offers education in Albanian, Macedonian and English language) and the start of operation of the University of Tetovo, the percentage of ethnic Albanian students enrolled in the academic year 2004/2005 has risen to 15.5% of the total number of students enrolled at all universities. As regards the use of languages, the constitutional amendments contain the following solutions:
 - The official language on the whole territory of the Republic of Macedonia and in its international relations is the Macedonian language and the Cyrillic alphabet.
 - Any other language spoken by at least 20% of the population, and its alphabet, shall also be an official language, as stipulated by this article.
 - The personal documents of the citizens speaking an official language other than the Macedonian language shall be issued in Macedonian language and its alphabet, as well as in the particular language and its alphabet, according to the law.
 - Any person living in a unit of local self-government in which at least 20% of the population speaks an official language other than Macedonian may use any official language to communicate with the regional offices of the central Government. The regional offices of the central Government with responsibility for that unit of the local self-

government shall reply in Macedonian language and its Cyrillic alphabet, as well as in the official language and alphabet used by the citizen. Any person may use any official language to communicate with the ministries, which will reply in Macedonian language and its Cyrillic alphabet, as well as in the official language and alphabet used by the citizen.

- In the bodies of the central Government of the Republic of Macedonia, any official language other than Macedonian may be used in accordance with the law.
- With respect to units of the local self-government, in municipalities where a community comprises at least 20% of the population of the municipality, the language of that community shall be used as an official language in addition to Macedonian language and its Cyrillic alphabet. With respect to languages spoken by less than 20% of the population of the local self-government unit, the local authorities will decide on their use in public bodies of the local self-government units.

Relevant legal amendments have also been adopted:

- As regards the parliamentary rules of procedure and the publication of laws, amendments have been made to the Rules of Procedure of the Parliament and to the Law on Publication of Laws and Other Regulations and Acts in the Official Gazette of Republic of Macedonia, which enabled the Members of Parliament to speak in the language spoken by at least 20% of the population at plenary sessions and within the working committees of the Assembly; Laws published in the Official Gazette of RM, in addition to Macedonian, shall also be published in the language spoken by at least 20% of the population belonging to the communities in the Republic of Macedonia.
- As regards court proceedings and the communication with the regional offices of the central government, amendments have been made to the Law on Criminal Procedure, Law on Litigation, Law on Executive Procedure, Law on Administrative Disputes, Law on General Administrative Procedure, according to which in proceedings before the courts and the bodies of the public administration, in addition to Macedonian language, the official language may also be the language spoken by at least 20% of the population. In view of the practical implementation of the above-mentioned legal amendments in the courts proceedings, the Court Rules of Procedure have been amended so as to provide for application forms for correspondence with the parties in the court proceedings, and they have been translated and distributed to all judicial authorities in the Republic of Macedonia. The process of employment of the 100 trained translators and interpreters from the non-majority communities in the public administration bodies and in the courts is under way. Bilingual application forms have also been developed concerning the communications with the regional offices of the central Government.

As regards personal documents, the Law on Identification Card, Law on Central Register, Law on Travel Documents, and the Law on Safety of Road Transport have been amended, providing for issuing of all personal documents of the citizens (ID cards, passports, excepts from the main registry, driving licences, registration certificates) and the relevant applications in accordance with the constitutional amendments. The issuance of these documents in the languages of the communities, in accordance with the legislative changes, has already started in practice.

As regards the personal names, the provision providing for a possibility that all public servants may write their names in the alphabet of the language spoken by at least 20% of the population is already being implemented in practice, although it still has not been regulated by a separate law.

As regards the local self-government, the provisions concerning the use of official languages at the level of units of the local self-government have already been incorporated in the laws governing this area, stipulating that in those municipalities where at least 20% of the populations speak a particular language, that language may be used as an official language in addition to the Macedonian language. In addition, the amendments to the Law on Safety of Road Transport provide that traffic signs, in those municipalities where more than 20% of the population speak an official language other than Macedonian, shall be written in that particular language.

Furthermore, in the domain of the language use, amendments have been made to the Law on Election of Representatives in the Assembly of the Republic of Macedonia, Law on Election of the President of the Republic of Macedonia, Law on Local Elections and the Law on the Census of Population, Households and Dwellings in Republic of Macedonia. They provide for the use of the languages and alphabets of the members of communities concerning the ballots, and in the Law on Local elections, the use of languages of the communities in all electoral activities. The amendments of the Law on Census provides for census taking in Macedonian language and its Cyrillic alphabet, as well as in all other languages of the ethnic communities. Although it is not provided by the Framework Agreement, an obligation for adoption of a Law on the Use of Languages of the Communities in RM has been undertaken.

- Expression of identity – as regards this item of the Agreement, the adopted constitutional amendments provide:
 - The Macedonian Orthodox Church, the Islamic Religious Community in Macedonia, the Catholic Church, the Evangelical-Methodist Church, the Jewish Community and other religious communities and religious groups are separate from the state and equal before the law, and are free to establish schools and other social and charitable institutions by means of a procedure regulated by law.

- Members of the communities have a right to freely express, foster and develop their identity and community attributes, and to use their community symbols.
- The Republic guarantees the protection of the ethnic, cultural, linguistic, and religious identity of all communities.
- Members of the communities have the right to establish institutions of culture, arts, science and education, as well as scholarly and other associations for the expression, fostering and development of their identity.
- Members of the communities have the right to instruction in their language in the primary and secondary education, as determined by law. In schools where education is carried out in other language, the Macedonian language shall also be studied.
- The Republic guarantees the protection, promotion and enhancement of the historical and artistic heritage of Macedonia and all communities in Macedonia, and the treasures of which it is composed, regardless of their legal status.

Special bodies for the promotion of culture and education of the communities in the Republic of Macedonia have also been established: Directorate for Affirmation and Promotion of the Culture of Communities in the Republic of Macedonia, within the Ministry of Culture, and the Directorate for Development and Promotion of Education in Languages of the Members of the Communities, within the Ministry of Education and Science. As regards the media, a significant progress has been made by the introduction of a channel of the national television – Macedonian Radio Television – which broadcasts in the languages of all communities in the Republic of Macedonia. The broadcast of the sessions of the Assembly of the Republic of Macedonia, with full translation into Albanian language, is also carried out on this channel. The free use of the symbols of the communities has been regulated by the adoption of the Law on the Use of Symbols of the Communities in 2005, which rounded up the legislative framework laid down in the Framework Agreement.

Within the framework of the implementation of the confidence building measures, the following activities have been carried out: return of internally displaced persons, rehabilitation and reconstruction of the areas affected by the hostilities, as well as the deployment of ethnically mixed police patrols that were successfully returned to the former crisis areas and were accepted and supported by the local population; training for the police; support to projects in the field of media, as well as projects on the development of inter-ethnic relations.

In view of the accelerated implementation of the Framework Agreement and a consistent coherent policy in the areas concerned, the following documents have been adopted: Action Plan on the Implementation of the Framework Agreement, Operational Plan for Decentralisation and a Programme for Adequate and Equitable Representation of the Communities in the Public Administration.

The Government of the Republic of Macedonia is fully committed to the implementation of the Framework Agreement, as one of the top priorities of its political agenda, in order to create lasting grounds for continuing democratic and prosperous development of the Republic of Macedonia and its integration in the European Union. Having regard to the fact that the Framework Agreement has been transposed in the legal system of the Republic of Macedonia, its implementation is an issue of implementation of the Constitution and of the laws of the Republic of Macedonia, as well as of devising the most suitable instruments and mechanisms to attain the objectives of the agreement.

In the first half of 2006 the Medium-Term Strategy for Adequate and Equitable Representation of the Members of the Communities in the Public Administration would be adopted.

Additional efforts would be put in place to complete the return of internally displaced persons and refugees and fully implement the Programme for Revitalisation of the Former Crisis Areas.

A consistent implementation of all measures set forth in the adopted laws in all areas of implementation of the Framework Agreement and continuation of the implementation of confidence building in partnership with the civil society would be amongst Government's priorities.

1.3 REGIONAL COOPERATION

Regional issues and other obligations defined by the EU Council conclusions of 29 April 1997

The Republic of Macedonia contributes actively to the development and the promotion of the bilateral relations with all countries in the region, is an active member of the existing regional cooperation initiatives and intensifies its role within the frames of the engagement of the entire SEE region in view of its full European and Euro-Atlantic integration. In that way the Republic of Macedonia contributes to the strengthening of good neighbourly relations, security, stability and cooperation in SEE region.

As a full-fledged member of the Process of Cooperation in South-East Europe (PCSEE), the Stability Pact of SEE, the Central European Initiative (CEI), the SECI Centre for Fight Against Organised Crime seated in Bucharest, the Republic of Macedonia endeavours for the implementation of the priorities and activities set in the adopted documents and declarations. Guided by the determination to intensify the regional cooperation, the Republic of Macedonia remains to its position for acquisition of full-fledged membership in the Adriatic-Ionian Initiative and the Organisation of the Black Sea Economic Cooperation.

The Republic of Macedonia has signed free trade agreements with all countries of SEE and ratified them in accordance with the Memorandum for Understanding on Trade Facilitation and Liberalisation, signed in June 2001 within the framework of the Stability Pact. In February 2006 it has signed the Agreement for Accession in CEFTA. The Republic of Macedonia is an active player in the preparations for the commencement of the negotiations on the establishment of a free trade zone in SEE. It supports the position that the existing CEFTA agreement should be the basis for the establishment of this zone, which will be extended (comprised of all interested countries without imposing the previous conditions) and modernised.

As a signatory of the Athens Memorandum for Understanding on the SEE Energy Market, it supported the initiative for the establishment of the SEE Energy Community (SEEEC) and signed the SEEEC Treaty with the EU on 25.10.2005 in Athens. The Republic of Macedonia participates actively in the initiatives related to the SEE Core Transport Network.

The Republic of Macedonia attaches a great importance to the "regional property" as a concrete manifestation of the countries' commitments to create and to govern their mutual cooperation by them selves. It actively participates in the identification of the future forms of collaboration in the region. The Republic of Macedonia considers the recommendation of the Final Report of the High Working Group of the Stability Pact as a good base for further discussion which should lead to the most appropriate solution acceptable for all countries. The Republic of Macedonia believes that the Stability Pact should remain the political framework for future regional cooperation. During its implementation, due attention should be paid on the interests and the priorities of each country, on their financial opportunities, as well as on the fact that the countries of the region have both different status of relations with the EU and level of internal reforms. The Republic of Macedonia hopes that the EU and international donors will continue to support the initiatives of the countries of the region.

Review of bilateral relations with neighbouring countries and the Western Balkans countries

The relations with the **Hellenic Republic** have marked a significant progress following the signing of the Interim Agreement. There is an intensive economic and other cooperation, and many meetings on political level are organised, although, there is a lack of meetings at the highest state level.

The **Hellenic Republic** is the most important investment partner of the Republic of Macedonia. An Office for Consular and Trade Relations of the Republic of Macedonia was opened in Thessalonica in October 2004, and as of 1 December the Greek Office for consular, economic and trade relations started its operation in Bitola. In view of further promotion of the existing cooperation, the Republic of Macedonia proposed several draft-agreements, the signing of which had been postponed by the Greek party. After the stagnation of the official bilateral relations, in the last period (March 2006) a positive trend in this area has been noticed and the continuation of the Greek plan for economic reconstruction of the Balkans has been announced.

An open issue in the relations between the Republic of Macedonia and the Hellenic Republic is the dispute over the name. The Republic of Macedonia respects its obligations taken under the UN Security Council Resolution 817(1993) and supports the process of continuation of the dialogue about this issue within the UN, which should be lead in a constructive and friendly atmosphere of mutual respect, in the spirit of the good neighbourly cooperation. The Republic of Macedonia holds a firm position for preservation of the constitutional name of the Republic of Macedonia in its entire internal and international communications. The Republic of Macedonia is ready to seek for a mutually acceptable formula in the bilateral relations of the two countries.

The Hellenic Republic, as the only neighbour - member of EU and NATO declares its support for the European and Euro- Atlantic integration of the Republic of Macedonia emphasising at the same time the need for a mutually acceptable formula over the differences related to the name issue.

The Republic of Macedonia and the **Republic of Bulgaria** have developed cooperation in many areas and are building partnership relations by undertaking a great number of contractual obligations. The contractual framework for the relations has been completed to a great extend. In addition to the economic cooperation, the two countries are successfully engaged in cross-border cooperation, cooperation in the field of defence, internal affairs, judiciary, transport and communications, agriculture, forestry and water economy, local self-government, culture, environment protection, etc.

The European and Euro-Atlantic integration have been identified as common interests that are a subject of joint efforts and intensive cooperation. In accordance with the Memorandum for Cooperation signed in August 2004, annual programmes for cooperation are prepared and successfully realised. In addition, there are plans for further intensification of the regional

cooperation on the Euro-regions and the infrastructure projects of mutual interest, such as Corridor 8, the projects on the Euro-region Skopje- Niš-Sofia etc.

The economic cooperation is carried out under the Free Trade Agreement from October 1999. As of 1 January 2005 the Republic of Macedonia and the Republic of Bulgaria established a free trade area concerning the trade of industrial products. It's worth mentioning that the Macedonian export to the Republic of Bulgaria is growing continuously, whereat in the last ten months of 2005 there has been an increase of 15.3% in comparison with 2004. The import in the ten months of 2005 has increased by 13.5% as compared to the relevant period in 2004.

The relations with the **Republic of Albania** are good and dynamic, primarily on bilateral political level. There are frequent meetings at all levels and concerning all areas.

In the past two years, the two countries have had intensive cooperation in the area of Euro-Atlantic integration within the framework of the Adriatic Charter. Similar activities are also carried out in the field of exchange of experiences in the Euro-integration process under the Memorandum for Understanding.

A number of bilateral agreements, treaties and protocols have been signed and ratified, such as the Readmission Agreement, the Agreement on Cooperation in the Fight against Terrorism, Organised crime and Illicit Trafficking of Narcotics, Psychotropic Substances and Precursors, Illegal Migration and Other Illegal Activities, the Agreement for Protection and Sustainable Development of the Ohrid Lake and its Watershed, the Agreement on Establishment of International Lake Passenger's line Ohrid - Podgradec. Recently, the two countries have signed an Agreement on Exchange and Mutual Protection of Classified Information, Agreement on the Opening of Border-cross point Djepište-Trebište, Agreement for Cooperation in the field of Tourism, Agreement for Cooperation in the Field of Culture and a Protocol for Cooperation between the Ministries of Justice. The signing of the Agreement on Good Neighbourly and Friendly Relations, the text of which is being harmonised, is foreseen, and the signing of an Agreement for Railroad Connection has been initiated. These agreements provide a solid legal framework for the development of cooperation; however, in the forthcoming period a greater emphasis shall be put to their full and consistent implementation.

The economic cooperation is carried out under the Free Trade Agreement signed in March 2002. As of 1 January 2007, the Republic of Macedonia and the Republic of Albania shall establish a free trade area in the industry sector. The total trade exchange is marking a continuing surplus; export and import are growing continuously, where the export in the last ten months of 2005 has increased for 13.8% as compared to the same period in 2004, while the import has increased for 28.8% as compared to the relevant period in 2004.

The good neighbourly relations, the constructiveness, the open dialogue and the bilateral and multilateral support are the main principles of Republic of Macedonia's bilateral relations towards **Serbia and Montenegro**.

After the establishment of diplomatic relations with Serbia and Montenegro in 1996, the two countries have engaged in developing their cooperation and contractual regulation of several areas. An Agreement on Delineation and Description of the Macedonian-Yugoslav border was signed (in 2001) and the demarcation is pending only in the border section with Kosovo. A new border-cross point for border zone circulation has been opened, and there is an ongoing procedure for the establishment of additional three border-cross points.

Within the frames of the commitments for protection of the national minorities, the Republic of Macedonia and Serbia and Montenegro have signed and ratified an Agreement on the Protection of the Macedonian National Minority in Serbia and Montenegro and of the Serbian and Montenegrin National Minorities in the Republic of Macedonia, as a first agreement of that type in the region. The Agreement entered into force in July 2005.

The economic cooperation with Serbia and Montenegro is carried out under the Free Trade Agreement signed in September 2004. The text of the new Free Trade Agreement between Republic of Macedonia and Serbia and Montenegro has been signed on 21.10.2005, providing for full liberalisation of the trade between the two countries as of the date of its entry into force. This Agreement is currently undergoing the ratification process. It should be noted that in the total trade exchange in 2005, the export was 8.5% higher than the one in 2004. The surplus realised by the Republic of Macedonia in 2005 has increased by 50% as compared to 2004 (such surplus is owing to the significant export of Macedonian products on the territory of Kosovo).

The Republic of Macedonia supports the efforts of Serbia and Montenegro for a faster integration in the European and Euro-Atlantic processes and submitted an initiative for signing of a Memorandum for Cooperation between the Government of the Republic of Macedonia and the Government of Serbia and Montenegro in the field of Euro-integration with a draft Memorandum for Cooperation.

The Republic of Macedonia continues to monitor with special attention the development of the situation in **Kosovo**, in compliance with the UN Security Council Resolution 1244, fully supporting the policy of UN and of the international community for the establishment of a multi-ethnic community, and promotion of security, democracy and the rule of law. It supports the political process for to the decision on the future status of Kosovo, which should be carried out by full implementation of the standards. For the Republic of Macedonia every solution on the future status of Kosovo achieved by the negotiators respecting both the territorial integrity of the neighbouring countries and the inviolability of the borders is acceptable. At the same time, the preservation of the durable stability and security of the region must be taken into account. Thus, the Republic of Macedonia considers that the division of Kosovo or its incorporation within another state or with a part of a neighbouring state is not acceptable. For the Republic of Macedonia is of a great importance that the demarcation of the border on the part of Kosovo must be completed prior to the outcome concerning the future status of Kosovo, which is also one of the Kaj Elde- Report's recommendations.

Trade relations with Kosovo are developing. Thus, in March 2005, the Prime Minister of the Republic of Macedonia, Vlado Buckovski, opened the Trade Representative Office in Priština, transformed since 27.02.2006 into a Liaison Office. In September 2005 the Government of Republic of Macedonia and UNMIK signed an Interim Free Trade Agreement. UNMIK has already started to implement the Interim Agreement since 01.10.2005, while the Republic of Macedonia started to implement it since 2.02.2006. The interim agreement provide for a high degree of liberalisation of the entire trade, which matches the trade liberalisation achieved under the Free Trade Agreement with FR Yugoslavia.

Efforts are being made on the promotion of the cooperation in some of the necessary segments of common interest, in particular concerning the facilitation of the issues of practical interest for the citizens. Thus, several interim protocols with UNMIK has been signed related to different areas such as education and science, avoiding of double taxation and investment protection, custom and police cooperation, transfer of sentenced persons, railway transport etc. In addition, there are ongoing preparations for signing of interim protocols in other areas such as local self-government, agriculture, health care etc.

The relations and cooperation with **Bosnia and Herzegovina** are good and have been developing at political level (bilaterally and multilaterally), but a need for further development at economic level has been ascertained. Due to the specific and complex constitutional-legal system of Bosnia and Herzegovina, especially in view of matters of international character, the two countries have signed a small number of interstate agreements. In the past year efforts have been made for promotion of the contractual regulation of the relations with Bosnia and Herzegovina, resulting in the signing of the Agreement on Social Insurance (ratified by the end of September 2005), the Agreement on Regular Air Traffic and the Agreement for Mutual Legal Assistance in Civil and Criminal Matters. The Agreement on Legal Regulation of Property Issues, Agreement on Cooperation in the Field of Education and Science are to be signed in the forthcoming period, while the signing of agreements on readmission and on mutual legal assistance in execution of court rulings in criminal matters are under consideration.

The trade relations with Bosnia and Herzegovina are regulated by the April 2002 Free Trade Agreement. As of 01.01. 2005, the Republic of Macedonia and Bosnia and Herzegovina established a free trade zone concerning the industrial and agricultural products. It should be noted that the total trade exchange with Bosnia and Herzegovina is increasing significantly. The export in the ten months of 2005 is 16.4% higher than the export in the relevant period in 2004, while the import increased for 16.3% as compared to 2004. The First meeting of the Mixed Committee on the Free Trade Agreement was held on 15-16 December, which put a special emphasis on the restoration of the economic cooperation in the military and wood processing industry.

The Republic of Macedonia is willing and ready to share with Bosnia and Herzegovina its experience in the process of integration in the European and Euro-Atlantic structures.

The relations and cooperation with the Republic of Croatia have continuously been developing in all areas of mutual interest, in particular in view of the two countries' common European aspirations. They are characterised by friendliness, absence of open issues and political dialogue at all levels. As provided for by article 12 of the Stabilisation and Association Agreement, a bilateral Agreement on Cooperation in the Context of EU Accession was signed and it entered into force on 26 .02. 2005. In order to enforce the agreement, the representatives of the ministries of foreign affairs of the Republic of Macedonia and Croatia met twice and the Rules of Procedure of the Joint Committee were henceforth adopted. It is foreseen that the first meeting of the Joint Committee on ministerial level will be held in the first half of 2006.

The two countries are also cooperating within the Adriatic Charter to make progress toward NATO membership.

The economic cooperation is carried out under the Free Trade Agreement from May 1997. As regards the trade exchange, the Republic of Macedonia is realising a continuing surplus. The export in the ten months of 2005 has increased by 4%, and the import increased for 13% as compared to the relevant period in 2004.

Cooperation with the International Criminal Tribunal for former Yugoslavia

The Republic of Macedonia has expressed its firm political stance for full cooperation with the International Criminal Tribunal for former Yugoslavia, having high esteem for the role of the Tribunal in the undertaking of efficient measures for bringing to justice the perpetrators of serious war crimes and other crimes against humanity. The positive assessment for the cooperation has been reiterated on several occasions, including the Opinion of the European Commission, submitted to RM on 09.11.2005. The cooperation with ICTY is regulated by the Law on Criminal Procedure. The Government of the Republic of Macedonia settled the issue concerning the compensation of the expenses of defence and for the families of the persons indicted and transferred to the Tribunal by the adoption of the Decision on the Compensation of Expenses of a Member of the Family of Persons Indicted and Transferred to ICTY under the Indictment No. IT-04-82-II from 09.03.2005 of the International Criminal Tribunal for former Yugoslavia, which at the Time of Perpetration of the Act were Employed in the State Administration of the Republic of Macedonia until Delivery of the Final Verdict (28.03.05) and the Decision on Partial Compensation of the Expenses for Defence and for the Needs of the Families of the Persons Indicted and Transferred to ICTY in the Hague, which at the time of perpetration of the act were employed in the state administration of the Republic of Macedonia until delivery of the final verdict (11.04.2005)).

In response to the Decision adopted by the Criminal Council of the Tribunal on 04.10.2002, the Government of the Republic of Macedonia, and the Ministry of Justice, in particular, reaffirmed their willingness for cooperation by handing over five cases to ICTY competence in November 2002 (NLA Leadership; Mavrovo construction workers; Lipkovo Water Reserve; Ljuboten; and Neproshteno).

On the basis of the investigation on the Ljuboten case, ICTY decided to indict two persons in relation to this case. Upon request of the Tribunal, one of the persons was transferred to the Hague Tribunal by the Macedonian authorities on 16.03.2005, while the other was transferred by the authorities of the Republic of Croatia.

The Tribunal decided not to pursue its investigations on the other cases and to refer them back to the national authorities for possible further investigations. The decision to be taken on these cases will have to be handled carefully.

International Criminal Court

The Republic of Macedonia is a contractual party to the Roma Statute establishing the International Criminal Court and ratified the Roma Statute on 06.03.2002, as the 54th country to do so, prior to its entry into force by the 60th ratification on 01.07.2002, thus manifesting its strong support to the establishment of the Court. The Republic of Macedonia is still providing strong support to the International Criminal Court and is committed to strengthening of its role and for its universal recognition. The Republic of Macedonia also acceded to the Agreement for Privileges and Immunities of ICC.

On 30 June 2003 the Government of the Republic of Macedonia and the US Government signed an Agreement regarding the Surrender of Persons to the International Criminal Court (published in Official Gazette of Republic of Macedonia No. 70/2003). Having regard to the recommendations of the "EU Guiding Principles Concerning Arrangements between a State Party to the Rome Statute of the International Criminal Court and the United States Regarding the Conditions to Surrender of Persons to the Court", adopted on 30 September 2002, concerning the nationality of the persons who are not surrendered to the Court, the Republic of Macedonia concluded the Agreement on nonreciprocal grounds, i.e., it shall be applicable only to "persons form the United States of America" which is not a State Party to the Rome Statute. The Agreement does not apply to citizens of the Republic of Macedonia.

Pursuant to the EU Guidelines, the Agreement contains a provision concerning the restriction of its applicability, i.e., providing for its unilateral termination by any of the two contractual parties. The full alignment with the EU guidelines and rules is a mid-term priority.

2 ECONOMIC CRITERIA

On the way towards meeting the Copenhagen economic criteria

Over the last 15 years, Republic of Macedonia has made a significant progress in its transition towards meeting the Copenhagen economic criteria. As elaborated in the *National Strategy for European Integration of the Republic of Macedonia to the EU*, the country is committed to continue with this process and expects to meet all aspects of the criteria in the next medium-term period.

The chapter is composed of three sub-chapters. In the *introductory one*, a brief overview of most recent macro-economic developments in the Republic of Macedonia is presented. The following two sub-chapters outline activities / policy measures to be taken by the authorities in order to meet in full the Copenhagen economic criteria. These activities / policy measures are also aimed at addressing short-term and medium-term economic priorities as defined in the European Partnership. The *second sub-chapter* presents activities / policy measures – they are focused on meeting the short-term priorities of the European Partnership – to be introduced in order to strengthen the existence of a functioning market economy. The *third sub-chapter* is focused on activities / policy measures – they address medium-term priorities determined in the European Partnership – that are aimed at increasing the capacity of the country to cope effectively to the competitive pressures and market forces within the EU.

INTRODUCTION

According to the current projections, the real GDP growth in the Republic of Macedonia in 2005 was 3.8% while the inflation rate was 0.5%. These results are fully consistent with the initial projections at the beginning of the year, noting that the actual inflation rate is even lower than the one projected originally.

Contrary to the previous period, the major contributors to the GDP growth in 2005 were positive developments in the industry. Although initially the industry growth was projected between 5% and 5,5%, the actual growth of 7% shows that the growth in the industry sector is higher than the projected one. However, the growth is not concentrated in sole branch; 70% of the industrial branches realized positive results in 2005, the highest growth being achieved in the food industry, basic metal industry, production of construction materials, textile industry, tobacco industry and the chemical industry.

Higher than projected growth rates are also present in other sectors of the economy, such as trade, transport and communications, tourism and the financial sector. Negative growth rate was registered only in the construction as a result of the delay in few bigger infrastructure projects.

With regard to inflation, the deflation zone was over passed in 2005. In the period January – December 2005 the average inflation rate was 0.5%. Besides the continuing decrease of prices of food and agricultural products, the major reason for missing the projected inflation is the absence of the expected price increase in the energy sector initially projected for the second quarter of the year 2005.

The industrial growth in 2005 led by the increase in the external demand was reflected in the increase of the export by 22% and import by 10%. Higher export growth rates were concentrated in the steel industry, the food sector, production of beverage and tobacco and mineral fuels. These developments contributed to a decrease in the trade deficit by 2% compared to 2004 reaching 18,8% of GDP in 2005.

With regard to the fiscal policy, better collection of the public revenues along with the prudent expenditures policy in 2005, led to general government surplus of 0,3% of GDP, instead of the initially projected deficit of 0,8%. Public debt of the general government at the end of 2005 was 41,9% of GDP including the amount of 150 Euro from the first Euro-bond issue from the Republic of Macedonia. Those revenues were used for repayment of the Macedonian debt to London club of creditors. Implementation of a prudent fiscal policy created conditions for higher elasticity of the monetary policy that resulted in a decrease of the Central bank bills interest rate (as a referent interest rates of the economy) from 10% at the beginning of the year to 8% at the end of 2005, as well as in the credit to private sector growth of around 25% on annual level. Declining interest rates trend continues.

As a result of the lower trade balance deficit and balance of services, as well as the unexpected high level of transfers (mostly private), the current account deficit decreased significantly. Instead of the initially projected deficit of 6.5% of GDP, in 2005, the current account deficit was only 1,4%, which is a decrease of 6,3 percentage points on yearly basis (current account deficit in 2004 was 7,7% of GDP).

The high export increase, high level of transfers, disciplined fiscal policy and the high coordination between the fiscal and monetary policy have contributed to a significant growth of the gross-foreign exchange reserves in 2005. At the end of 2005, the

foreign exchange reserves were 1.122,9 million Euros. When compared with the end of 2004, there is an increase of 406 million Euros. With this significant increase, the targeted level of foreign exchange reserves, set in the arrangement with IMF, was outpaced by 150 million of Euro.

Finally, positive movements have occurred within the labour market where the number of new employments in the period January-December 2005 increased by 30% compared to 2004 as a result of the real growth in most sectors of the economy. At the same time, the number of registered unemployment exhibits a continuous downward trend. There were 359,989 unemployed persons in December 2005 which is a 9% decrease on a yearly basis.

The existence of a functioning market economy

The existence of a functioning market economy is achieved when there is a degree of consensus in the country about the essentials of its economic policy, when the equilibrium between supply and demand is established by the free interplay of market forces, when the legal system, including the regulation of property places, is put in place and can be enforced, and when a well developed financial system and an absence of significant barriers for market entry and exit are well established.

Broad political consensus on the essentials of economic policy; Regarding the crucial issues and interest of the Republic of Macedonia, such as: a) integration of the Republic of Macedonia in NATO and EU; b) intensification of the economic development, job creation and poverty reduction; c) judiciary reforms which are to strengthen the efficient continuous performance of the measures for fight against all forms of crime, including organised crime and corruption; d) realisation of the Framework Agreement measures; e) government decentralisation from central to local level, there is a broad consensus among the political parties. This can be confirmed by the fact that economic and political programmes of the largest political parties in the country have very similar goals on all these subjects. Regardless of whether a political party is in position or in opposition, there is no substantial difference with respect to these strategic objectives and the initiatives for their achievement.

Largest opposition parties have not disputed the bases and the measures of the economic policy of the Government, but they have rather suggested acceleration of the structural reforms which are always painful and can cause political and social tensions. Different political structures in the Republic of Macedonia usually have remarks on the procedures and the forms for achieving the objectives defined in the economic policies.

Broad support to the strategic priorities, goals and initiatives of the Government is also provided by the social partners: trade unions as representatives of employees and chambers of commerce as representatives of employers. There are numerous meetings between the social partners on governmental level as well on public debates and appearances.

There is also broad consensus among the population about the EU accession. Being aware that the process towards the EU membership will be achieved through a long and a complex process, the Government of the Republic of Macedonia, has launched a public awareness campaign aimed at informing the citizens about the pro and cons of the EU membership as well as about the conditions – political, economic, legal, and institutional, - the country has to meet in order to become a member of the EU. The result of this campaign is shown in the latest polls, where 91% of the population is in favour of joining in the EU.

Economic policies implemented by the Republic of Macedonia so far have been concentrated on macro-economic stability. In future, however, the focus of economic policy activities will shift to structural reforms aimed at increasing growth and employment and reducing external imbalances, while securing the past gains of macroeconomic stabilisation. These objectives are fully in line with the objectives of the Copenhagen economic criteria. Over the past decade, Republic of Macedonia had a close cooperation with multilateral financial institutions. IMF support has been instrumental in the areas of monetary and exchange rate policies as well as in the implementation of prudent supervisory policies in the financial sector, while the World Bank and the EBRD have been involved in the design and implementation of the structural reform policies. This cooperation has been strengthened through a 3-year IMF stand by arrangement and a 3-year World Bank program both signed in the second half of the 2005.

During the transition period the Republic of Macedonia faces, that due to the external and non-economic shocks, as well as due to the lack of information and experience of the developed countries about the manner of functioning of the modern market economies and the subsequent absence of interaction between various social groups of citizens, part of the structural reforms were realised with slowed-down dynamics. Consequences are the low level of labour productivity and profitability. Society transformation is an immanent pre-condition to achieve the necessary level of functional market economy, reflected in the so-far uninterrupted course of implementation of the structural reforms and precise plan for their intensification with their full realisation by the end of 2008. The unions and the chambers of commerce are also aware of the intensification of the structural reforms. They have both agreed that intensification of these reforms is necessary and that social dialogue should be strengthened. The recently approved Law on Labour Relations provides a legal framework for strengthening cooperation among the social partners and is aimed at establishing conditions for reaching a consensus about new collective agreements.

Most frequent issue discussed in the media, in addition to the decentralization process and the devolution of competencies to the local government, was the Law on Labour Relations for which, following the broad debate, consensus was reached between the social partners and the political parties, taking into account that it incorporates the experience of the European countries so as to achieve labour market flexibility as a measure to increase the entering of foreign direct investments.

For the purpose of transformation of the economic trends in the course of the preparation of the legal legislation as a precondition for efficient market economy, representative from the Trade Union Association in the Republic of Macedonia is always present, and there is regular communication with the business community, too. This process evolves continuously, although there is significant volume of regulations that needs to be adopted by the legislative body.

It is realistic to expect that broad consensus and support of all the social groups and political parties with respect to the basic orientation of the Macedonian economy in the next medium-term period will be maintained and hopefully even strengthened. Main consensual orientation will remain meeting the economic criteria for functioning of the market economy, stimulating the economic development, creating business climate as preconditions for facing the pressure of the competition and the market forces within the EU.

Macroeconomic stability, including adequate price stability, and sustainable public finances and external accounts: The Republic of Macedonia has achieved a good level of macroeconomic stability in the period since the internal security crises in 2001. The low, and predictable level of inflation, measured through the CPI (since 2000), is one of the main features of the Macedonian economy, averaging 2.3% p.a. in the period 1996-2004. The country is also characterised with low levels of central budget and general government deficit. This is a result of the significant fiscal consolidation carried out in the past three years. The central budget deficit was reduced from 5.3% of GDP in 2002 to only 0.1% in 2004. With respect to the general government budget, the deficit of 5.6% of GDP in 2002 was reduced to the level of balanced budget with only 0.6 % GDP in 2004. The developments have contributed to positive review of the country by major credit rating agencies.

Though the country has achieved a good level of macroeconomic stability over the recent years through the policy mix composed of *de facto* fixed foreign exchange policy, prudent monetary and fiscal policy, this process has been accompanied by modest economic growth (2.8% in 2003 and 4.1% in 2004) and by continuously high level of unemployment (over 30%). The country is also characterised with persistently wide external imbalances, primarily high trade deficit (trade deficit of 18.4% of GDP in 2003 and 20.7% of GDP in 2004 and current account deficit of 3.3% of GDP in 2003 and 7.7% of GDP in 2004). They reflect both the significant import dependency and the relatively low export, the vulnerability of which is additionally increased due to the export's high concentration. Experience shows that the insufficient external competitiveness of Macedonian goods and services is to a large extent caused by unfavourable export structure leading to absence of an appropriate response on the supply side. Growth, employment and external sector weaknesses clearly indicate the need of complementing achievements in the macroeconomic area with structural reforms aimed at improving the business climate and competitiveness.

Price and trade liberalization (equilibrium of demand and supply is established by a free interplay of market forces): Prices of goods and services in the production and trade in the Republic of Macedonia are set freely according to the market conditions. Only in certain activities where there are still no conditions for competition on the market and for the purpose of preventing the monopolistic behaviour on the market, the prices are still under administrative control.

In the process of transition towards a market economy the total proportion of prices under administrative control was gradually reduced. With this Government measure of determining the highest prices, in the period 2001-2003, at average, only about 11 % of retail prices were covered.

In 2004, Energy Regulatory Commission became operational. As a consequence, prices of certain energy sources came under its competence, thus significantly reducing the proportion of prices administratively determined as highest prices by the Government. Prices in the field of telecommunication services also became subject to regulation by an appropriate regulatory body.

Since the beginning of April 2005, the possibility to apply the Government measure of determining the highest prices was ceased, therefore now the prices of certain products and services in the public sector are set by the Management Boards of the Public Enterprises. Pursuant to the Law on Public Enterprises, they are obliged to obtain consent for the price increase from either the Government or the local community, depending who is the founder of the public enterprise. Thus, at the country level, prices are set of products and services in certain activities in the field of traffic (postal services, railway transport, and airport services) as well as in the field of growing and exploiting forests. At local level, by giving consent for the prices of certain services and products, prices are set in the production of raw water for water supply of the population and the economy, production and distribution of drinking water, wastewater treatment and drainage (excluding water treatment stations), maintenance of city and settlement sanitation (litter depot) and funeral services.

Price liberalization is an ongoing process, and in this forthcoming period will be realized by previous creation of conditions for market competition and will be done in the framework of the Public sector transformation process.

As far as trade liberalisation is concerned, Republic of Macedonia is being committed towards an open economy with the objective to overcome the handicap of a small market and to create an institutional environment enabling access of the Macedonian products on the foreign markets. The country started its trade liberalisation during the 1990s, but the process was intensified after entering the WTO in 2003 (the Agreement was ratified on 4th of April 2003). The Republic of Macedonia has also concluded 11 FTAs. They facilitate regional trade integration with the countries in Southeast Europe, aimed at preparation of Republic of Macedonia for faster integration into the EU.

In October 2004, Republic of Macedonia made a further step towards regional trade liberalisation. Through the Working Group for trade liberalization and facilitation of the SAA it submitted a proposal to the countries in Southeast Europe, members of the Stability Pact, for commencement of activities for conclusion of multilateral Free Trade Agreement (CEFTA). The proposal was supported by the Ministers of Economy from SEE countries by adopting a ministerial statement at the ministerial meeting for trade, held on 10th June 2005 in Sofia. The basis of the proposed multilateral Free Trade Agreement will be the existing CEFTA model. Negotiations for conclusion of the multilateral agreement started in Antalya in September 2005. Negotiations were conducted for implementation of trade liberalization with industrial products in line with the transition period determined in the bilateral free trade agreements and the possibility to ensure higher level of trade liberalization in the agricultural sector.

Ability of the financial sector to channel the savings towards productive investment (banking sector, non-bank financial institutions); Transition to the market economy in the Republic of Macedonia has similarly, as in other countries in transition, required a drastically changed role for the financial sector and the main challenge in this area is to develop an efficient system of financial markets and institutions. There are at least two reasons why financial sector restructuring has been of strategic importance for the country. First, without active financial markets, its economy has no alternative allocation mechanism. Second, through intermediation of financial institutions, resources can be channelled directly from net savers to net users, mainly the enterprises and the private sector in general.

While financial sector has undergone significant restructuring over the recent years, it is still far from being internationally competitive in terms of product variety, soundness and costs, and the sector also remains small in both absolute and relative figures. The key general objective in this area therefore is to increase international competitiveness of the financial sector to the level that will allow its successful financial integration into the global market for financial services. A well functioning financial system will increase the level of national savings; it will reduce costs of capital for the enterprise sector and will improve the range and quality of financial services open to both savers and investors. Policy measures required to achieve the stated objectives in the financial sector are generally of four groups, namely competition, restructuring, supervision and straight legal approximation to EU legislation, although the relative importance of each group of measures varies among financial sub-sectors.

While the main priority in the banking area is capacity strengthening of the banking supervision and transition to more risk based supervision that is oriented towards the risks, the activities in the insurance area will be more directed toward further legal approximation with the EU directives (with a special emphasis on strict licensing requirements and risk management rules) and enhancement of the supervision through establishment of an adequate and independent supervisory authority with legal power and tools for conducting timely and effective supervision over the insurance industry. Further broadening of the financial sector will be provided with different policy measures that will enable development of innovative financial instruments and non banking financial institutions such as, lending companies, agricultural support lenders, other small and micro lenders, investment funds etc.

banking; Taking into account that banks dominate the financial sector in the Republic of Macedonia and are the major source of credit the economy, banking sector restructuring has been in the forefront of financial reforms. The sector has undergone profound changes in recent years in order to adjust itself to the competitive market conditions. Unlike many of the countries in transition, which in the second half of the 90s faced banking crises, the Republic of Macedonia managed to avoid them. Crises were avoided also in the more recent past when the country suffered strong non-economic shocks, namely the Kosovo crises in 1999 and the crises caused by the internal conflict in 2001.

On 31.12.2005, banking sector in the Republic of Macedonia comprised 19 private banks of universal type, 1 state-owned bank with specific functions due to which it is not a competition to the commercial banks and 15 savings houses. From the ownership structure point of view, the share of state-owned banks is below 5% of the total banking system's capital while foreign capital participates in 16 banks. In 8 of these banks they participate with 50.1% in the total banking sector capital and with 51.8% in the total volume of assets of the sector – foreign owners are majority shareholders. Out of these 8 banks, 4 are subsidiaries of foreign banks. In the course of 2005, an increased interest of some important international banks to establish their subsidiaries in the Republic of Macedonia was registered.

As of December 31, 2004, total assets of the banks in the Republic of Macedonia amounted to EUR 1,925 million, while the own funds of the banks amounted to EUR 326 million. If these figures are expressed as percentage of GDP, it can be easily concluded that they have increased over the recent year. Thus, as of December 31, 2004 the degree of financial intermediation calculated as a ratio of total assets, gross loans extended to clients and total deposits to the GDP of the Republic of Macedonia equalled 44.6%, 21.7% and 31.1%, respectively. For comparison, on December 31, 2003 these indicators equalled 41.4%, 17.8% and 27.7%, respectively. Nevertheless, the level of bank intermediation in the country is still rather low if compared with that of the Central European countries that have recently joined the EU. The financial intermediation, calculated as a ratio of the total assets to the GDP, as of December 31, 2004 were 91.4% in Slovenia, 60.9 % in Poland, and 99.8% in the Czech Republic as of 31.12.2003.

The performance of the banking sector in the Republic of Macedonia is rather good. This can be confirmed by the growing confidence of the population reflected in a strongly positive savings trend. At the end of 2004, the deposit base in the banks reached an amount of EUR 1,342 million and had increased by 17.2% compared to December 31, 2003. The volume of deposits continues to increase also in 2005, and as of June 30, 2005 they reached the highest level since the monetary independence of the Republic of Macedonia in amount of EUR 1,524 million, which represent the semi-annual growth of 13.6%. Positive performance of the Macedonian banking sector is being reflected also in its financial performance figures. In 2004, the sector realised positive financial result in the total amount of EUR, 20.3 million, with the rate of return on assets (ROA) of 1.1% and the rate of return on equity (ROE) of 6.2%. The ROE for the first six months of the year 2005 is 1.5%, namely 9.2%, appropriately.

An improved banking supervision has been instrumental for improving financial status of the banking sector. The National Bank of the Republic of Macedonia, as the banking sector supervisor, performs this role on the basis of the provisions stipulated in the Banking Law. Although the Law is harmonized with the *Acquis* in terms of all important elements some further adjustments will be needed in the forthcoming period and are a part of the 3-year agreements with the IMF and the World Bank. These adjustments will have to address the issues of savings houses, further legal approximation of the national legislation in the field of credit institution, and strengthening of the prudent standards on their operations.

Although asset quality and financial performance of Macedonian banks has improved significantly over the recent years, the country's banking sector is nevertheless faced with a number of actual and potential challenges. Their common denominator is the lack of restructuring activities of banks which is needed for their effective adjustment to the challenges of the EU accession and, in more general terms, to the challenges of global financial services liberalisation. In addition to the competitiveness, another area where further improvements are needed concerns the depth and sophistication of the banking system. Despite the progress over the recent years, the system is still shallow in comparison to CEE that recently joined the EU.

At 31 December, 2004, the share of the monetary aggregates M1 (narrow definition) and M2 (broad definition for money) in GDP equalled 10.4% and 33.5%, respectively. For comparison, the average share of money supply M1 and M2 of GDP for the 10 new EU member-states at the end of 2004 equalled 30.6% and 64.2%, respectively. For five South-eastern countries, this share is lower but still higher than in the Macedonian economy, equalling 20.7% and 51.8%, respectively for M1 and M2 (only for Croatia M4). These data suggest that there is room for providing additional financial services to the enterprise sector. Within this segment, bank lending is still concentrated on existing customers from mid-size and large companies while credits to small-scale enterprises and individual entrepreneurs, because of their perceived high risk and operational cost, are lagging behind. In addition, at 31 December, 2004 most of the loans to enterprises are of short-term character with a share of 40.2% in the gross loans to enterprises, while the share of long-term loans to enterprises equalled 36.7%. But, as of June 30, 2005, long term-loans to enterprises became a dominant category with a share of 41.6% in the gross loans to enterprises, while the share of short-term loans equalled 37.9%.

capital markets; During the last decade, the securities market has established itself as an important financial institution complementary to the banking sector. In spite of dynamic development of the securities market over the recent years, this segment of the Macedonian financial sector continues to be under-developed by western standards in terms of its depth. This can be confirmed by indicators typically used for summarising the role of securities in financial intermediation. The total market capitalisation at the end of 2005 is EUR 1.216 billion, which is 27, 04% of the expected GDP in 2005.

Issuance and trading with securities in the Republic of Macedonia is performed through the Macedonian Securities Stock Exchange, established in 1995. The total volume of trading on this stock exchange amounted to EUR 44.8 million (excluding the block transactions) in the year 2004 what represented a 19.2% increase over the 2003 volume. During the 2005 the dynamics of trading on the Stock Exchange intensified considerably. The total volume of transactions (classical trading) in 2005 amounted EUR 109.5 million and represents increasing of the trade for 143.52% in relation to 2004.

The reasons for the market boom in 2005 mainly have resulted from an increased transparency, disclosure and availability of financial information, increased diversity of securities offered, increased interest of foreign investors, starting up of the two new

pension funds as of January 1st 2006, sale of the shares under their book value (under-valued securities) and potential take-overs.

Securities and Exchange Commission regulates and controls the participants on the market in terms of their operations with long-term securities on the territory of the Republic of Macedonia and within its legal competencies and authorisations; it is responsible for legal and efficient functioning of the long-term securities market and for protection of the investors' rights. In order to further improve the legal environment for securities issuance and trading, and with the objective of further approximation to the EU legislation. A new Law on Securities has been adopted by the Assembly on November 7, 2005.

Important developments are currently underway also in other capital markets segments and they are all expected to have a positive influence on broadening and deepening of this segment of the financial system. In the second half of 2005, for example, two pension funds management companies commenced their operations and they have started collecting and operating the funds as of January 1, 2006. New developments are expected also in the investment funds area. For the time being, there are no funds of this kind in the country. Adjustment of the legislation in this area scheduled for 2006 is expected not only to improve the legal framework for this segment of the financial industry but will fully harmonise the Macedonian legislation in this area with that one of the EU.

insurance; The volume of the gross premiums calculated in 2005, according to the financial reports of the insurance companies, amounted to 5.105 million Denars what is equivalent to only 1.96% of GDP. Also the structure of products offered is rather underdeveloped. The compulsory motor third party liability with 44.96% share in the total written premiums still accounts the largest proportion of premiums collected, followed by property insurance with 25,86% in the total premiums. Out of the total gross premiums collected in 2005, only 2.15% referred to the group of life insurance. These figures clearly indicate that the insurance sector in the Republic of Macedonia is rather underdeveloped by the EU standards in terms of both, the volume of premiums and their structure.

As of 30th June 2005, there were 10 insurance companies registered in the Republic of Macedonia (compared to 2001) accompanied by 4 insurance brokerage houses that operate on the market as intermediaries between the insurance companies and their clients. Out of the 10 insurance companies, one has a license to operate non-life and re-insurance activities, another one to perform life insurance only, while the remaining eight companies are registered exclusively for non-life insurance activities. The share of the foreign capital in the insurance business was 62.5% at the end of 2005. Four insurance companies are wholly foreign owned.

Basic legal framework that regulates incorporation, operations, and supervision of insurance companies and insurance brokerage houses in the Republic of Macedonia is the *Law on Insurance Supervision*. The Law has been harmonized with the EU insurance legislation in several respects, though further transposition will be needed in some areas, especially in the area of insurance supervision. Amendments of the Law to be prepared in line with the IAIS standards are expected to stipulate a legal framework for establishment of an independent supervisory body for the insurance sector. The Law should be adopted in the course of 2006. In 2007, the Ministry of Finance also plans to adopt certain number of bylaws arising from the Law on Insurance Supervision that will more precisely regulate certain issues related to the operations of the insurance companies, such as the manner of setting technical reserves aside, 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 to the insurance companies, detailed contents of the audit report, etc.

Ownership and enterprise restructuring (privatization and structural reforms); Privatisation of the Macedonian economy has been carried out for a period of one and a half decade, completing the ownership restructuring in more than 95% of Macedonian socially-owned enterprises. By the end of March 2005, the privatisation process was completed in 1,688 enterprises (out of the total portfolio of the Privatisation Agency of approximately 1750 enterprises), with a total appraised value of EUR 2,251 billion.

At the beginning of the privatisation process, the priority of the Government was to sell enterprises as they were, without their special prior restructuring. As the process was developing and as it was becoming obvious that some enterprises would not be able to get sold without certain pre-preparation, the Government's focus was turning more to restructuring of industries and even specific enterprises. There were several restructuring programmes in place, the first one having started in 1995 and encompassing 25 large loss making enterprises and the finalizing steps of the last programme are being currently implemented. Privatisation of the agricultural sector contained a large element of pre-privatisation restructuring, by virtue of the preparation of large agro-industrial combines to be sold separately along different product lines. In addition, 15% of the land belonging to the large agricultural companies was offered for sale to the private farmers, with the objective to stimulate the land market in the country.

One of the activities of the Privatization Agency for completion of the privatisation was the sale of the major portion of the minority interests (residual shares) of the state in the private enterprises by the end of 2004. The Privatisation Agency has thus completed its mission and it had been liquidated in 2005.

In addition to the privatisation of the socially owned enterprises, several public utilities, or social sector institutions have also been subject to privatization. When discussing the privatisation of public utilities, it has to be noted that in parallel a reform of the market legal and institutional regulation was performed, its basic tenet being market liberalisation. In 2006 this process will be carried forward through the adoption of a Law on Public Companies, implementation of the Law on Electronic Communications, approximation of the legal framework for the energy market towards EU standards and adoption of a new Law on Energy.

The privatisation of public utilities was initiated by the sale of Macedonian Telecommunications – upon its being spun off from the larger state owned Macedonian Posts and Telecoms. The remaining shares amounting to 47% of the company's equity, still owned by the state, are expected to be sold by the end of 2006 as one of the structural criteria to be carried out as laid down in the arrangement with the IMF. The new Law on Electronic Communications, adopted in 2005, will enable easier entry of new operators and service providers through simpler administrative procedure.

Another structural performance criterion agreed with the IMF is the privatisation of a part of the vertically integrated Electricity Power Company. The intention of the Government is to sell the distribution company by the end of the first quarter of 2006 and to consider the sale of part or all of the generating capacity in 2007, following a more detailed study on the regulatory implications of the privatisation of the hydroelectric capacity. International financial institutions are providing support in the privatisation process. EBRD is a participant in the pre-privatisation process by providing funds and monitoring of all decisions connected with the privatisation, and the World Bank providing an assessment of the regulatory implications. Again, in parallel with the privatisation of the electricity sector, a process of market regulation and a gradual liberalisation has been pursued. A major step in this process was the adoption and utilisation of a new methodology for price setting of electricity by the Regulatory Commission for Energy, as a fully independent body for carrying out this function.

Privatisation has also started in the social sector of the economy and in public administration. A portion of non-core activities in health, education and administration has been carved out from the state entities and they have been subcontracted to private sector entities. The Government has also embarked upon a program of granting concessions for the use of some large infrastructure assets, one of them being the state owned airports, and the procedure for preparation for requesting investors who would be interested to operate them on a concession basis has been already initiated.

Macedonian Railways has undergone a significant restructuring process, its operations being divided into two separate entities: one entity for transportation and the other for providing the necessary infrastructure. The intention is to privatize the transportation part in the course of 2007, while the infrastructure would remain being owned by the state.

The financial sector has also been subject to special privatisation programme, and some of the banks went through a massive rehabilitation process. The Government already started tendering the remaining shares in the commercial banks, with the exception of Postal bank and the Macedonian Bank for Development Promotion. The first auction sale for one part of the shares was announced at the beginning of 2006 and it is expected for the whole process to be completed to the end of the first half of 2006.

Despite the numerous privatisation and restructuring activities and despite the fact that the economy is predominantly privately owned and that markets are largely liberalized, the economy is still facing numerous challenges that derive from the region's political instability as well as from country level deficiencies. These include a weak judicial sector, a failure to attract strategic investors for privatization of state-owned enterprises, and a failure of owners and managers of newly privatized firms to restructure or introduce innovations. All of these factors have undermined the success of the Government's reforms and prevented the achievement of higher rates of economic growth or increased employment. This, in turn, demands for more and better designed structural reforms and further improvement of the business environment. This is the reason why the Government is continuing with its commitment to the structural reforms which have been further designed in several additional projects and which are explained in more detail below.

Absence of significant barriers to market entry (establishment of new firms) and exit (bankruptcies, liquidations); An important goal of the strengthening of the business environment is to enable Macedonian enterprises to compete more successfully in increasingly global markets. In the FIAS 2003 Administrative Barriers Review and Administrative and Regulatory Cost Survey, most respondents considered the lack of clarity in the existing regulations, instability of laws and regulations, and corruption in the public sector as the major obstacles impacting the development of a business friendly environment. The generally deficient regulations relating to business start-up and operations translated into high compliance costs for businesses, generating strong incentives to remain in the grey economy. It also negatively affected Macedonia's attractiveness to investors.

Being aware of the importance of fixing these deficiencies, the government has demonstrated strong willingness to improve the business environment, especially in the field of eliminating barriers to entry, i.e. easing the start-up of new companies but also streamlining the exit from the market and company bankruptcy and liquidation procedures.

In relation to the improvement of the quality of regulations covering business activities and building an institutional capacity and regulations significant for market entry and their proper functioning and monitoring, a progress was achieved with the adoption of the new Company Law, the regulation for the trade registry becoming part of the central information base of the Central Registry. The legal framework for establishment of one-stop shop registration system has been gradually finalised by adopting the needed amendments to the numerous laws and it became operational as of January 4, 2006. The objective is to make the start-up process simpler, quicker and cheaper. The number of licenses needed will be limited and the procedures for their issuing will be streamlined.

The problems of property rights registration have been widely recognised as grave and seriously impeding the business environment, because of which, significant efforts have been made to recover and improve the matter. By 2009, a new reliable cadastre is to be set up.

On the other hand – the exit is mainly regulated by the bankruptcy regulation. Although the existing Law has been more or less positively evaluated by international experts, it has raised certain issues that needed to be specifically addressed. In addition to this, new EU Directives were adopted, and the preparation and adoption of a new bankruptcy law that would be harmonised with the already adopted EU Directives and the other upgraded relevant laws in the Republic of Macedonia became a notable priority. Streamlining the bankruptcy proceeding, making it faster, more efficient, less costly and fairer to the creditors and other stakeholders, but also insisting on building of the professional and ethical capacity of the bankruptcy proceeding bodies were among the main objectives of the new regulation. The new Law is expected to be adopted by the end of the first quarter of 2006 and to become operational.

The business environment is expected to be enhanced by the deep reform of the judiciary, which is well underway. The first phase of this reform comprises the already adopted constitutional amendments as a basis for the new more business friendly, independent and professional legal system. The system of election, nomination and promotion of judges and prosecutors was amended to incorporate a competence based career development system. The second phase of the judiciary reforms is more aimed at improvement of the court administration and its efficiency. To the end of completing the overall process, the Law on Enforcement and the Law on Civil Procedure were adopted, as adjunct and very crucial regulation.

Largely on the basis of the FIAS study, and also as a result of additional research, the Government prepared a Programme for Promotion of Investments in the Republic of Macedonia and an Action Plan as its constituent part. The Programme provides the framework guiding the line ministries to propose measures for realisation of the reforms by specific performers and following a specific dynamics.

Areas of priority where reforms are focused and which were identified in the Programme and the Action Plan are the following: reform of the market of immovable property – land, construction permits - approvals, court administration and judiciary system, customs, tax administration and labour legislation

A very important project focused on the reform in the business environment and strengthening of institutions is BERIS project (Business Environment and Reform Institutional Strengthening), which is supported with a loan by the World Bank, with an envisaged four-year implementation within the period 2006 – 2009. With the implementation of the Project for Promotion of the Business Environment the following will be achieved:

- more efficient and transparent registration of business entities, simplifying the procedure for issuing licences for the business entities and inspections, better access of the domestic and foreign entities to the information necessary for starting and carrying out business activities in the Republic of Macedonia.
- strengthening the capacity of the Government of the Republic of Macedonia in the process of continuing the agenda for reform in the business environment by applying an appropriate analysis of the quality and the impact of the present and future regulations that shall be adopted concerning the business community, regulatory impact and the principles for good management.
- strengthened structure for promotion of the quality of Macedonian products and services on domestic and foreign markets, and better access of the Macedonian products on domestic and foreign markets.

In order to improve the corporate governance, the new Law on Audit, defining the conditions for the audit of entities performing activities in Macedonia and being in compliance with the Eighth Directive 84/253/EEC and the new Audit Directive, has been adopted. The International Audit Standards are binding and they have been published in Macedonian. The public institution building process will be completed by the establishment of a self-governing institute for the qualification and certification of auditors, which is scheduled to be set-up by the end of the first quarter of 2006.

The Government also intends to use the findings of the June 2005 Report on Observance of Standards and Codes (ROSC) as a basis for developing and implementing further measures to improve the business environment. One part of the notes from ROSC report are already incorporated in the amendments to the Law on Securities that have been adopted at the end of 2005.

The legal system, including the regulation of property rights, enforcement of laws and contracts, and effectiveness of the judicial system with respect to economic issues; Several analyses, surveys and studies have pointed to the judiciary as an important segment that needs serious reforms, and once reformed it would play a key role in facilitating investment and accelerating growth led by private sector. By the end of 2004 the Government adopted a comprehensive Strategy on the Reform of the Judicial Sector with an Action Plan for its implementation. The goal of this Strategy is to establish an efficient judiciary system, based on European standards that would support a market economy. Judicial reform is a lengthy process, needing several years, but the process has been set in such a way to start with a number of key measures during the first year.

A very critical issue in the operation of Macedonian courts are the delays and the low ability to enforce the court decisions. Due to this two new laws have been adopted: Law on Civil Procedure, which is designed to accelerate the resolution of cases by imposing stricter deadlines and Law on Enforcement, the major innovation of which is that it moves the enforcement from the courts to specialized agents. By end of May 2006 the new enforcement system should be operational, by when the bylaws, licensing procedures for the enforcement agents and the public awareness program will have been largely developed.

The Law on Courts and the Law on Judicial Council are scheduled to be amended by June 2006, by which the new system of judicial appointments, founded on merit-based career development of judges and prosecutors and having the objective of strengthening the independence and professionalism of the judiciary will become operational. A special training institution for judges and prosecutors (Judges and Public Prosecutors Academy) will be established, incorporating training on business economics and commercial law, and it will become operational from September 2006. The Law on Judges and Public Prosecutors Academy has been adopted in January 2006.

Also, in terms of enhancing the court efficiency, until the end of the first half of 2006, a new Law on Misdemeanours shall be adopted, that will allow public institutions and regulators, such as National Bank of the Republic of Macedonia, Public Revenue Office, Customs Administration and others to impose sanctions for certain types of misdemeanours without prior court approval.

The independence of the judiciary was substantially ensured by the passing of the Law on Court Budgets, which provided for a separate court budget and a Court Budget Council to administer the budgetary process. The independence of the Court Budget will be further enhanced by the amendments of the Law on Court Budget (2006/I). The independence will be additionally enhanced by implementing the results of the human resource needs assessment for the court administration and police for the 2006 budget and by the improved incentive system which is scheduled to be gradually implemented by 2007. In terms of enhancing the court efficiency, as well as in accordance to the provisions provided for in the new Law on the Courts which is to be adopted in the first half of 2006, the process of courts reorganisation will start.

Capacity to cope with competitive pressure and market forces within the EU

The capacity to cope with competitive pressures and market forces within the EU requires from an acceding country a stable macroeconomic environment within which economic agents can make decisions with a reasonable degree of predictability. There must be a sufficient amount of human and physical capital including infrastructure available to provide the business sector with necessary background for their competition in the single market. Further on, firms must invest to improve their efficiency and adaptability to the market conditions and their capacity to adapt will be strengthened if they have an appropriate access to investment finances, to qualified labour force, and are more successful in innovations. Last but not least, an acceding country will be better prepared to the membership obligations when it achieves a high degree of economic integration with the EU before the membership. The level of integration is related not only to the volume of trade with the EU members but also to the range of tradable goods.

In 2004, the Government started the Functional Analysis of the activities of all line ministries in reaching full compliance in the systematization of the state administration, in order to facilitate the implementation of the governmental priorities, to impose control, fit and proper governance. These activities had to be in the direction to control the expenditure side of the budget of the ministries and others, where most important is good planning and allocation of the budget expenditures for those projects that are financed by the donors, especially EU funds, which will be fully incorporated in the budget as a budget revenue, on the basis of donation, starting of in 2007. At the same time it will continue with the already established practice of domestic co-financing projects financed with loans, which is a financing side of the budget.

The establishment of PIFC (public internal financial control) is one of the Government priorities which endeavours close collaboration with DG Budget in the EC.

The completion of the process of transition and gradual dealing with the unemployment issue creates an opportunity for greater allocation of budget resources to education and science, thus reducing the relatively high share in the non-productive expenditures on medium term. The EU assistance in those fields will be more than welcomed.

Existence of a functioning market economy, with a sufficient degree of macro-economic stability for economic agents to make decisions in a climate of stability and predictability; Maintenance of the macroeconomic stability is necessary but not sufficient condition for achieving accelerated and sustainable economic growth as a top economic priority of the country. In line with the 3-years programmes recently agreed with the IMF and the World Bank, this objective is expected to be achieved through an intensification of structural reforms aimed at improving the business climate and competitiveness, and at maintaining the macroeconomic stability. Medium-term projections indicate that the average annual inflation rate will be maintained at the level of around 2%. It is expected that the main driving forces, which have led to pressing out inflationary expectations, such as the pegging of the Denar to the Euro, the fiscal discipline and the low budget deficit, as well as the foreign trade liberalization, will continue. It is further expected that prudent fiscal policy will be maintained by the way of maintaining the central budget deficit at a level of around 0.5% of GDP, and the general budget deficit at a level of not more than 0.6% of GDP over the medium-term period. Such a policy will contribute decisively to the overall fiscal sustainability of the country over the medium term period, to the maintenance of the level of public debt at the internationally accepted level, and to the appropriate coordination of the monetary and fiscal policy that is needed for maintaining the macroeconomic stability of the country.

In the following paragraphs, the main characteristics of the 3-year arrangements with the IMF and the World Bank are briefly outlined.

The economic and financial programme supporting the 3-year arrangement with the IMF envisages undertaking medium-term measures aimed at intensifying economic growth and employment, reduce the external imbalance, maintaining the macroeconomic stability, strengthening the domestic and international credibility of the country and promotion of the business climate. The Programme relies on structural reforms to strengthen competitiveness. The core of the Programme is therefore ambitious reforms—notably of the labour market and the judiciary—aimed at raising productivity growth, fostering entrepreneurial activity and improving the functioning of the labour market and its flexibility, as well as strengthening of the rule of law and approximation of the judiciary system to the European standards.

On the macroeconomic field, the objectives of the programme are to ensure transition from official budget financing to market-based financing, in the same time maintaining the fixed exchange rate and low inflation level. The financial strategy relies on the expected proceeds from the privatization of one part of the electro-distribution sector and the sale of the state shares in the fixed operator for telecommunication services, which will be used to build up reserve cover in the first two years for imports, and on sound macroeconomic policies to maintain reserve cover thereafter to 4 months of imports. The Government's capacity to raise the state securities presence on the market will be increased by making the government debt market deeper and more liquid, keeping debt under a tight rein in order to sustain market confidence, and making an initial cautious, Eurobond issue.

The programme also aims to secure medium term fiscal sustainability in the face of pressures on expenditures in the following years. A key reform in this sector is improvement of the financial management in the Health Insurance Fund, which always represents a source of risks that may have unfavourable impact through forming more substantial expenditures in this sector. An important element in a broader fiscal reform represents the reform in the tax administration. In this area, broadening of the tax base with reducing the tax relief is planned, as well as harmonising the tax base for calculating personal tax with the base for calculating contributions for the social funds (pension, health, unemployment) and integrating the payment of personal income tax and social contributions, which will be performed in phases and will last until 2008, as well as to strengthen the control of taxes payment in terms of reducing the losses on the base of collected revenues. The reforms also should provide harmonisation and unification of the collection of personal taxes and other contributions. The new Law on Public Revenue Office and the new Law on Tax Procedures, adopted in September 2005, are aimed at enhancing the efficiency of PRO and the control of the payment of taxes, extending its rights and authorisations.

As far as the three-year World Bank PDPL programme is concerned, its objective is to promote economic growth and job creation in the Republic of Macedonia.

The first of the series of agreed PDPL arrangements has been successfully realised and the funds of the loan have been withdrawn at the end of 2005.

On the bases of the agreements reached with the multilateral financial institutions in 2005, the Republic of Macedonia anticipates that maintenance of the macroeconomic stability, accompanied by intensified structural reforms will lead to intensification of the economic activity and GDP is expected to grow at an average annual level of around 4.5% per year the 2005 – 2008 period. Economic growth will be based on enabling the setup for increased investment activity, productivity growth and final consumption, elimination of the labour market rigidity, strengthening of the country's entrepreneurial activities and increased exports.

With a strategic orientation of relying on exports as the principal driver of sustainable economic growth, improvement of the country's international competitiveness is becoming an issue of crucial importance. The experience shows that the insufficient external competitiveness of Macedonian goods and services is to a large extent caused by unfavourable export structure leading to absence of an appropriate supply response. Consequently, the need to enhance the competitiveness of Macedonian economy has again brought to attention that medium-term agenda of policy measures should be focused on strengthening of the structural reforms, among which the labour market reform, judiciary reform, improvement of the institutional capacity, i.e. improvement of the public sector management and efficiency, and further development of the financial sector. These reforms should lead to improvement of the business climate and to result in attracting of foreign direct investments, which, among other, will not target exclusively the Macedonian market. In addition, positive effects at the export are also expected from the further intensification of the existing grouping of the exporters in so called clusters for separate export products or services to the end of coordinating the activities of all participants for the export strategy and the access to foreign markets.

Regarding the increase in the administrative capacity with respect to tax collection and expenditure control – The adoption of the Law on Public Revenue Office defines, on more specific basis, the organisational structure, the management and the competences of the PRO, in particular the rights, the obligations and the training of the employees. In the period to come, measures are going to be undertaken aimed at reforming the control policy and upgrading its capacity through targeted education on control by types of activities and specialised training in control methodology.

The reform processes in the area of accounting have been addressed with the new Company Law aligned with all EU directives, adopted in 2004. That is to say that this Law represents a significant step forward for the Republic of Macedonia, noting that it refers to accounting and auditing.

According to the Company Law, each commercial entity has an obligation to do the accounting and to submit the annual balance sheet in line with the law and the accounting regulations. As a matter of fact, each large and medium size commercial entity, as well as the commercial entities in the banking and the insurance sector, the commercial entities that are listed on the stock exchange, and the commercial entities whose financial reports are part of the consolidated financial report of the previously mentioned commercial entities, have the obligation to prepare and submit financial reports according to the adopted International Accounting Standards publicised in the "Official Gazette of the Republic of Macedonia". The International Accounting Standards are updated every year in order to be in full compliance with the ongoing standards, as they are supplemented, altered or adopted from the Committee on International Accounting Standards.

The reform processes in the area of auditing have been completed with the adoption of the new Law on Audit, which is harmonized with the EU Directives. Auditing is pandered on the financial reports of the large and medium size commercial entities organized as joint stock companies, companies that are listed on the stock exchange, large and medium size commercial entities organized as limited liability companies. The Report of the conducted audit is submitted by the chartered auditor, according to the International Audit Standards (IAS) published in the "Official Gazette of the Republic of Macedonia". These International Audit Standards (IAS) are updated every year in order to be in full compliance with the ongoing standards, as they are supplemented, amended or adopted by the International Federation of Certified Accountants (IFAC).

Essential element of the ambitious structural reforms are the labour market reforms, which have been commenced by implementing the new Law on Labour Relations the aim of which is to reduce the additional labour force-related costs, to increase the percentage of regularly registered labour force so as to ensure application of legal protection, and, at the same time, to increase the volume of taxable wage bill and to reduce the employment in the grey economy. This should additionally lead to ensuring increased collection of revenues from direct taxes and social protection contributions, as well as health and pension insurance contributions.

The public expenditures in the period to come are based on continuation of the controlled budget policy necessary to implement the medium-term structural reforms, harmonized with the IMF as part of the three-year structural arrangement as well as necessary strengthening the development components (education, science and infrastructure) at the expense of the social expenditures.

Additional contribution for the overall economic development and successful implementation of the Government policies in the period to come will be provided via efficient utilization of the pre-accession resources of the European Union after the Republic of Macedonia has acceded new status of candidate-country.

Sufficient amount, at an appropriate cost, of human capital, including education and research and future developments in this field; Priority goals of Macedonian human resource development and labour market policies are: (1) stimulation the increasing of employment; (2) stimulation of continuous investment in human capital through provision of a relevant network for public and private education; (3) elimination of the institutional inflexibility of the labour market and social protection; (4) increasing labour force mobility; (5) reduction of employment in the informal sector ("grey economy").

The implementation of activities for improving the quality of education and training that will increase the possibilities for young people to find employment after completing their education is given highest priority. Modern education is focused on improving the quality of the human resources. Discussions and preparations for introducing nine years primary education are underway, and the process will continue until its final implementation. Besides, a support will be given for investment in (secondary) education that will offer qualifications in accordance with the demand.

In sequence, the Ministry of Education and Science has begun a significant project that will allow it to create a Programme for Development of the Educational System in the Republic of Macedonia. This project is focused on promoting the values that ensure educational and cultural equality, promote intellectual development and education, enhance the possibilities for educational and labour mobility, and enhance the educational, cultural and economic competitiveness of the Macedonian society, diversification of the Macedonian international experience etc.

The new amendments to the Law on Secondary Education will allow for the transfer of competences from the Central Government to the Local Self-government, in line with the decentralization process. All of the envisaged amendments to the Law on Secondary Education in line with the Acquis of the EU are aimed at bringing modern educational standards into the Macedonian classrooms.

A legal framework for implementing the Bologna process is being established in order to direct the inclusion of Macedonia in the single European area of higher education. The number of students to be enrolled at universities will continue to increase, as well as the quality standards of the studies. In accordance with the Bologna process, the reforms and harmonization will continue in the following areas: (i) harmonization of the structure of degrees of higher education (undergraduate, post graduate and doctoral studies); (ii) provision of quality in higher education; (iii) elimination of barriers for students, teaching and administrative staff's mobility to EU member-states, and in SEE region; (iv) implementation of the European system of transfer of credits; (v) recognition of qualifications and diplomas; (vi) strengthening of the role of students in the higher education process; (vii) enhancing the European dimension and attractiveness of the European field of higher education; and (viii) development of different forms of life-long learning.

Vocational education will aim at strengthening the links between education and training, and labour market demand. A dialogue and cooperation (partnership) between the public and private sector in Macedonia will be established in order to provide relevant institutional forms and conditions for practical training and for application of new knowledge and technologies. It is important to promote education (formal or informal) to become life-long learning citizens.

In line with all undertaken reforms in the area of education, the Government of the Republic of Macedonia is promoting a package of Active Labour Market Policies and Measures, aimed at increasing employment, tackling employment disparities and unemployment, creating incentives for new job creations and self-employment, promoting measures intended to resolve the problem of inflexibility of the labour market. The idea is to stimulate a more conducive environment for creating productive employment opportunities and enhancement of social dialogue. A major priority in this field is to develop tools to stimulate self-employment and entrepreneurship, as flexible schemes and other forms of financial initiatives, in order to increase the interest and the motivation of unemployed persons to go back to work.

The objectives of the research and development policy in Macedonia are: (a) transfer of know-how; (b) development of commercially relevant technologies for Macedonia (technologies with international competitiveness potential for Macedonia); and (c) establishment of links between research centres, universities and the enterprise sector. In the area of research the Republic of Macedonia will encourage and promote international collaboration and the transfer of knowledge and technology; introduce a monitoring and evaluation system for scientific and technological quality and research results by using internationally adopted standards and criteria; and (d) allocate higher budget funds for research and development; increase investments in scientific and research activities; increase the use of international funds and technical assistance; define inter-disciplinary programmes for targeted research; support the establishment of research units in the business sector to ensure the effective transfer of modern technologies; and, create conditions in order to raise the quality of knowledge and innovations and develop a technology information system.

Adequacy of capacity, at an appropriate cost price, of physical capital, including infrastructure (energy supply, telecommunications, transport, etc.) and future developments in this field; Similar to the other transitional economies, the public infrastructure of the Republic of Macedonia, as well as its infrastructure policies do not coincide with the needs of the emerging market economy. In energy sector, for example, the main legacies of the past are the high energy intensity, infrastructure capacities requiring expansion, maintenance and reconstruction as well as inadequate environmental performance. Transportation sector, on the other hand, is also characterised by several problems. Traffic flows are strongly concentrated on road transportation that has exposed the country to significant environmental risks and has been associated with the low level of road safety. The factors that cause this situation are partly related to geographical specifics of the country (short distances among

major destinations in the country) and partly to the technical and technological capacity of the PE "Macedonian Railways" in charge of the railway transport in the Country. As for the telecommunications, fix and the mobile telecommunications network is concerned, it is based on a modern digital technology and its penetration rate (number of telephone lines to the size of population) is relatively high in comparison to the other transitional economies.

The strategic objective of the Republic of Macedonia is the development of the infrastructure and the regional inter-connection of the infrastructure in the energy, transport and all other sectors. It would lead towards a reliable and cost effective development of energy, transportation and telecommunication sectors, taking due consideration of the supply reliability, safety of the population, rational use of energy and protection of the environment. Securing a low-cost transportation, better communications and an improved access to clean and at low price energy sources, the infrastructure sectors will contribute to increase productivity and, therefore, to increase the country's international competitiveness.

In order to achieve this objective, a whole range of coordinated policy measures has to be designed and implemented. The objective of the Country is to implement projects with a regional component that will improve and modernize the pan-European corridors VIII and X. It will open the doors towards better co-operation of the Republic of Macedonia with neighbouring countries and the broader one with the EU countries in all segments of the economy. Their common denominator is a higher commercial approach towards the development of the infrastructural sectors. The commercialization of infrastructural services refers to all reforms that stimulate business approach to these activities.

These reforms will, however, not be successful if the country increases the physical stock of its infrastructure. Gross investments in the Republic of Macedonia are expected to increase from the current level of 21% of GDP to around 25% of GDP in 2007 as a result of structural reforms programme agreed with the IMF and the World Bank and aimed primarily at improving the business climate in the country. Within the total of investments, the public investments have a significant share - 3.7% of GDP. A large majority of the public sector investments is channelled into the infrastructure sector with the aim to strengthen infrastructural links with all the neighbouring countries because it is considered to be a contribution towards successful integration of the Republic of Macedonia into the EU.

The Republic of Macedonia is preparing a mid-term strategy of infrastructural projects that should be implemented, called the Public Investment Programme. It includes priority projects on which the Government has made an assessment that they can substantially contribute to the development of the country. In the Programme covering a three-year period and being updated annually are included projects from all economic infrastructure sectors, including energy, transportation, water supply, irrigation, environment, as well as non-economic activities.

Based on the Public Investment Programme data base and according to the priorities determined by the Government of the Republic of Macedonia a substantial number of infrastructure investments is expected to be realized in the period of 2005 – 2007.

The financing of these projects will be conducted in line with the possibilities for further indebteding of the country, stated in the Strategy for public debt management, with the International Financial Institutions, and with domestic budgetary funds, that are planned each year as co-financing of foreign loans and credits.

The major part of foreign credits used by the Republic of Macedonia, are intended for infrastructure projects or projects that have significant infrastructure component within. Their realization represents an important trend of public investments in the country and an influence on the whole economic growth in the country.

A variety of funding resources is expected to be used for this purpose including budgetary resources, foreign investments, assistance from bilateral donors, and credits from multilateral financial institutions under favourable and commercial terms. According to relevant legal basis and in order to attract foreign investments, the Republic of Macedonia will continue with the policy of granting concessions in some infrastructure areas.

In the transportation sector, public investments in the 2005 – 2007 period, will be focused on road and railways sectors. Regarding roads, completion of the corridors VIII and X continues to be the top priority. At this stage, the ring road around Skopje is being constructed, a project worth EUR 100 million, financed by EIB and EBRD and the Fund for National and Regional Roads. The extension of the road E-75 towards "Smokvica-Gevgelija" financed by EBRD has been completed.

Construction activities are envisaged on the following sections of the corridor X: Demir Kapija - Udovo, Udovo - Smokvica, Tabanovci - Kumanovo, Bitola - Megitlija, and also on all those sections of the corridor VIII where the construction activities have not yet begun. In the railways sector, the investments will be focused on reconstruction and modernisation of the existing lines as well as of the equipment. It is important to note that the Government has issued a guarantee for the mutual project with the World Bank on reforms of the PE "the Macedonian Railways" by which indirectly a solid ground will be created for further development of the railroad traffic in the Republic of Macedonia.

Investment priorities in the energy sector are focused on two segments. The first one is electrical power production with opening of a new colliery in Brod-Gneotina, then hydroelectric power plant "St. Petka" and 20 small hydroelectric power plants to be constructed under the concession model. Similar model is expected to attract private investors for construction of a combined gas and thermal power plant. The second investment priority in the energy sector includes investments aimed at energy connection with the neighbouring countries. Within this context construction of the 400 kW long-distance power transmission lines Stip – Cervena Mogila (Bulgaria) and Bitola - Florina (Greece) are of a particular importance, as they would enhance the stability of the energy system in the Republic of Macedonia.

Meeting the requirements of the environmental acquis in near future is directly associated with large investments. Being aware of this fact, water supply projects as well as waste-water treatment and solid waste management are high on the priority list for infrastructure investments in the Republic of Macedonia. Several projects in all these areas are being carried out, or are planned to be carried out in the forthcoming period with the financial support of multilateral institutions and bilateral donors. For instance, the project "the Lake Ohrid Environmental Protection", the projects "The Lake Prespa Environmental Protection – -Phase 1" and "Water Supply of Struga" were completed in 2005 and put into operation while Municipality Environmental Action Plan, a project for improvement of water supply for several municipalities in the country, and financed by EBRD " will continue in 2006 and is expected to be completed. The priority projects which are to be realized are the realization of first phase of construction of the hydro system "Zletovica" and completion of the water supply project hydro system "Lisice". Sources from multilateral development banks and bilateral donors have also been used for several irrigation rehabilitation and reconstruction projects currently underway, such as HMS "Bregalnica", HMS "Tikves", HMS "Radiovce – Bistrica", HMS "Gostivarsko Pole", HMS "Banjicko Pole", and "Southern Vardar Valley Irrigation Project".

Beside the above activities, in the period 2005 – 2007, with the support of multilateral financial institutions, bilateral donors and the State Budget, it will continue realization of projects for modernization of education, development of the health sector and implementation of social protection.

The degree and the pace of trade integration of the country with the EU before the enlargement (this applies both to the volume and the nature of goods already traded with the Member States); The European Union has traditionally been the most important trade partner of the Republic of Macedonia. The share of the foreign trade with the EU in the overall foreign trade in the period from 1999-2004, ranges between USD 1.3 billion to USD 2.4 billion or between 42.5% and 52.6%. The share of export ranges between 42.8% and 57%, among which the share of the industrial goods extends between 43.5% - 58%, while the share of agricultural products between 23.1% and 42.9%.

Import from the European Union in the Republic of Macedonia ranges between USD 720,000 and USD 1.4 billion in absolute terms, and its share in the overall foreign trade of the Republic of Macedonia ranges between 38.2% and 50.1%. Similarly to the export, the industrial goods prevail in the import structure, with their share varying between 38.7% and 46.7%, and the share of agricultural products between 17.2% and 32.5%.

The following EU Member States are the most important trading partners of the Republic of Macedonia: Germany, Greece, Italy, the Netherlands and France. The most traded products in the foreign trade between the Republic of Macedonia and the European Union are the following: textile products, Ferro-nickel, Ferro-silicon, non-alloyed zinc, hot-rolled iron products, electricity conductors, welded pipes, motor vehicles, naphtha, wine and raw, non-processed tobacco. Traditionally, the most frequently exported Macedonian products are the following textile products, Ferro-nickel, Ferro-silicon, non-alloyed zinc, electricity conductors, lamb meat, wine and tobacco.

The indicators of the trade cooperation between Macedonia and the EU reveal that it is not the share of the trade to and from EU to be problematic as it is the volume of trade and especially the volume of the Macedonian exports. If it continues even in future, the problem will deepen – notably whether the production base is sufficient for export. The combination of all reforms implemented in the Republic of Macedonia so far has not led to a more successful implementation of the export-oriented concept of economic growth. The trade balance of the Republic of Macedonia has remained in continuous deficit during all the transitional years (except in 1992), and during certain years has reached a level of over 50% of the export value. The export-to-GDP ratios in 2000 and 2001 were 33.9 and 33.6 percent respectively, while the import-to-GDP ratios in the same years were 53.7 and 49.1 percent respectively. The export-import-to-GDP ratios in the same two years amounted to 87.6 and 82.7 percent respectively. This again reconfirms the critical need of reforms, being driven by export as measures, which the Government has committed to pursue.

SME and the proportion of small firms; The Importance of the SME development in the Macedonian economy has been highly recognized not only as a means for promotion of the underdeveloped entrepreneurial spirit, but even more for developing awareness for consistent need of changes and reforms in the economic arena. In addition to this, well established measures and policies for development of SMEs, in combination with measures and policies for competitiveness promotion, are regarded as one of the best driving force for the integration of the informal sector into the formal economy.

In parallel with the privatization, newly established firms started to enter the market, thus forming the major body of the today's SME community. The Government of the Republic of Macedonia has always incorporated the support of the SMEs in its major development policy documents. In July 2002, the Government adopted a National Strategy for SME development – a strategy paper referring to a period of ten years. In order to realize the objectives under the Strategy and the European Charter for Small Enterprises, in January 2003, the Government adopted Programme of measures and activities for supporting the entrepreneurship and creation of competitive small and medium-sized businesses. This Program covers a period of 4 years. In this respect, the main objective of the Programme of measures and activities for entrepreneurship promotion is to increase efficiency and international competitiveness of SMEs, by creation of an economic structure compatible with the structure of the European countries. The Programme is focused on four basic areas: (1) building institutional infrastructure for the promotion of entrepreneurship and competitiveness; (2) establishment of a favourable economic environment in accordance with the current development stage of the economy of Macedonia; (3) entrepreneurship promotion through non-financial forms for the support of entrepreneurship; and (4) financial forms for the support of entrepreneurship.

In 1997, the Government established the National Enterprise Promotion Agency (NEPA) responsible for implementation of programmes and projects for support of SMEs and, for implementation of the Phare Programme credit lines. However, due to numerous reasons, NEPA did not succeed in performing its duty properly. In 2004, the new Agency for Entrepreneurship Promotion was formed and now it is fully operational. In addition to the Agency, there are 8 regional centres for promotion of entrepreneurship, 8 incubators and 4 centres for transfer of technology. In 2004 the first Euro Info Correspondence Centre was established.

The bulk of the structural reform strategy and measures of the Government have the main objective to improve the public management and the overall environment for economic activity in the country, such as: more streamlined procedures for entry and exit of participants on the market, judiciary reform, better functioning of public administration and institutional support for private sector development, better public and corporate governance, higher transparency and integrity.

The non-financial forms for support of entrepreneurship include specific measures that the existing institutions provide for start-ups or established businesses. Incubators have been proven as a successful means of providing such support so far. The ongoing USAID financed project on enhancing the competitiveness has been providing an innovative approach towards dealing with these matters and the most identifiable contribution of this project lies with the establishment of five clusters of Macedonian economy which would gather the participants and stakeholders together in their effort to achieve best results and enhance their productivity. Other measures are also envisaged, such as: a voucher system for licensed consultants, establishment of a Human Resource Development Fund, both are being scheduled to be introduced by the end of 2005

Additional reforms in the financial system of the country are also envisaged in order to improve the banking sector performance: further enhancement of the banking supervision, introduction of modern debt management and risk management techniques, development of securities market etc, The Macedonian Bank for Development and Promotion will continue to provide support to the Macedonian businesses and especially to SMEs. The Credit Guarantee Fund should be operational by the end of the year. For 2007, establishment of a Credit Rating Bureau has been scheduled. The reforms in the financial sector, together with the reforms of the judiciary in the direction of increasing its capacity to deal with commercial cases, should ease the channeling of sufficient funds into the private sector.

The extent to which the government policy and legislation influence competitiveness through trade policy, competition policy, state aids, FDIs, support for SMEs, etc;

Upgrading the competitiveness of the Macedonian economy has increasingly become a focus of diverse and complex activities promoted by government policies and regulatory reforms. The business competitiveness is contingent on the underlying microeconomic conditions defining the current sustainable level of productivity in the country, under the concept that wealth is actually created at the microeconomic level and the relevant government policies can promote or hinder the productive behaviour of the businesses.

Recognizing the importance of trade liberalization of the economy, the Government of the Republic of Macedonia has been actively pursuing the process of opening the national economy via membership into the WTO and concluding free trade agreements with major trading partners.

Since 1991, the Republic of Macedonia has signed and is implementing 10 bilateral free trade agreements with the SEE countries and a Multilateral Free Trade Agreement with the EFTA Member States. Macedonia was the first among the SAp countries to have signed a SAA with the EU. This Agreement provides an immediate tariff-free access of most of the Macedonian goods on the European markets and a gradual removal of the Macedonian tariffs for the EU goods by the end of 2010.

And indeed, approximately 90% of the overall trade of the Republic of Macedonia is related to partners from countries with which a regime of liberalized trade has been agreed upon: As of May 2005, the share of the trade with the EU Member States accounted to 49.5%, and the share of the trade with the other free trade agreements countries for additional 40.5%. In relation to future reform prospects in this context, Macedonia is in the process of negotiating the establishment of a free trade zone with the Western Balkans countries.

The Government has encouraged foreign investment and has adopted a substantial number of laws with the aim of creating a favourable investment climate. There are several tax and financial incentives to encourage foreign investment. The corporate income tax of 15% is among the lowest in Europe, and it is similar with personal income tax rates, ranging from 15%, through 18% to 23%. Not only that the corporate income tax is low, but there are a number of tax incentives available in the following instances: a ten year profits tax holiday for qualifying enterprises locating in Free Trade Zones; tax reductions for up to three years for companies with more than a 20% foreign investment in share capital, reduction of the taxable income up to € 100,000, in the cases when the company has invested in purchases of fixed assets for performance of the activity an amount that does not exceed € 100,000 and when its profit for the year is lower than the invested amount, this difference can be used as a deduction from the future fiscal years' profits; for investments in fixed assets exceeding € 100,000 the companies are entitled to a deduction of the taxable income up to 30% of the current year profit; a 50% reduction of taxable income for investment in under-developed areas, highland, remote areas and border areas; a reduction of the taxable income at a level equivalent to the amount invested in environmental protection, but not higher than the taxable income; a 50% reduction of the computed tax in the first three years in which the Company makes profit for a Company starting with operations for the first time; a 50% reduction if the Company is listed on the official markets of the Stock Exchange and the Company which utilized the right and is listed on the stock exchange shall be entitled to reduction of the computed tax in the first year for 30% (2006) and in the second year for 15% (2007). Some of the incentives have a limited application and the Government is considering their possible extension.

If investments are made in free economic zones, the Law on Free Economic Zones envisages value added tax exemption for the following: trade in goods to be used in the production process (excluding final consumption goods), goods for export-oriented production and export-oriented services. Ten-year exemption from profit tax and also property tax is provided. The land in the zone could be rented for a 50-year period, with an opportunity of extension for additional 25 years. New legal framework on free economic zones is in a preparation process. This would improve all conditions in accordance with the EU criteria.

In general there are no limitations on foreign investment in Macedonia, except in the areas of military industry, circulation and trade of arms, circulation and trade of narcotics, and protection of historical monuments and cultural wealth, regulated in Article 55 of the Constitution.

The procedure for issuance of working permits to foreign citizens has also been simplified.

After several years of preparation, an Agency for investment promotion was established, which became operational in January 2005. The Agency is a focal point for investment promotion activities and rendering services to investors.

The protection of competition in the Republic of Macedonia is regulated by the Law on Protection of Competition, and the relevant by-laws, which are highly harmonized with the competition-related *Acquis*. These rules ensure greater legal safety for market participants, stronger and from political influence more independent position of the Commission for Competition Protection, as well as simplified procedures and communication with the Commission, all in accordance with the EU regulations. The efforts for strengthening the capacity of the Commission remain high on the competition policy agenda of the Government due to its competition policy. The Constitutional amendments enabling the Commission to impose fines for offences laid down by the Law ensures further approximation to the EU competition *Acquis*.

Unfair competition from unregistered companies will, as of 2006, start decreasing through the enforcement of labour policy measures aimed at greater efficiency of the unregistered employee's inspectorate. Besides that, mutual projects (between the Government of Macedonia and the UNDP and EAR offices in Skopje) are being defined aimed at reducing the number of unregistered small scale companies which operate on the market. Such projects have been planned even since 2003 yet, but due to some policy coordination problem, they have not been implemented. The intentions now, besides more thorough inspections (law enforcement), are to offer incentives to the unregistered companies for registering. In general the incentives will include small (reduced) costs of transfer from unregistered to registered status for those companies, assistance during the transition, probably a flat tax rate, simplified accounting procedures, social insurance of employees, and a raising awareness campaign.

State aid legislation in the Republic of Macedonia started applying in 2004. Macedonia has made certain progress in setting up the legal and institutional framework for competition policy. The institutional system currently consists of the Commission for the Protection of Competition, regulators for the energy and telecom sectors, and the State-aid Unit (SaU), which consists of the members of the State-Aid Commission supported by administrative staff. In accordance with the EU requirements, new state-aid legislation was approved in early 2004. The State-aid Commission (SAC) has been established recently and its main function is to receive plans for granting state-aid from potential providers and to approve or reject them based on their compatibility with the

state-aid legislation. For the time being, the SaU receives administrative support from the ME, which might negatively affect the independence of the decision making process, in regard to the activities of the SaC. In order to be able to carry out its mandate, the SaU requires adequate human and financial resources, but probably is facing the budgetary restrictions. It should be urgently addressed since SaU urgently needs assistance in assessing state-aid; increasing public awareness of enterprises and potential providers of funds; and in setting up proper mechanisms to ensure that industrial policy is consistent with the legislation on state-aid.

Sectoral reforms aimed at increasing productivity and competitiveness (agriculture and rural development, manufacturing sector including diversification of the industrial base); The basic tenet of the industrial policy implemented in the Republic of Macedonia is establishing and maintaining equal treatment of all business entities and providing equal conditions for market competition. This will be achieved through creation of a stable, easy accessible and fully predictable institutional infrastructure, adequate mix of elements of the economic system and adequate measures of the current (short-term) and the development (long-term) policy. In this context, the industrial policy of Macedonia in general has a horizontal approach, creating conditions for equal market competition and defining policy measures, instruments and programmes whose purpose is – throughout various kinds of business restructuring and technical and technological upgrading – to upgrade the competitiveness (productivity) of Macedonian economy.

The basic objectives and priorities of the industrial policy for creating competitiveness of Macedonian economy are the following: (a) creating stable and completely predictable institutional environment and a framework adequate to the needs of the modern market economy; (b) careful and gradual harmonization and adoption of the EU legislation; and (c) conducting a proactive industrial policy for promotion and development of the prospective businesses. In that respect, a special attention is paid to the compliance of the priority aims of the industrial policy with those of the general economic policy.

Unlike the horizontal level which is a dominant part of the industrial policy implemented in the Republic of Macedonia, the sector (vertical) level of the industrial policy has much smaller importance. Several strategies have been prepared for the development of certain sectors (such as tourism, etc), but the industrial policy in Macedonia practically has not entered more deeply into direct and selective support of certain sectors. Only for the steel sector, the National Restructuring and Conversion Programme was prepared, which stems as an obligation from the Protocol 2 of the Stabilization and Association Agreement. For this purpose, under the CARDS Programme for the 2000 – 2006 period (the Council Regulation of the European Union No. 2666/2000) funds were allocated for the preparation of the National Restructuring and Conversion Programme in the Steel Industry, as support of the specific sector within the frames of preparing the National Plan for Economic Development. The programme envisages the restructuring of the enterprises in the steel industry in order to maintain their economic vitality after the implementation period and to help them become more competitive on the global market.

At the beginning of 2003 a special four-year project for creating competitiveness of Macedonian economy has implemented in Macedonia, where the support to the formation of clusters in the Macedonian economy is a special segment. Considering their potentials, the National Entrepreneurship and Competitiveness Council of Macedonia has identified five clusters which receive special support: the lamb meat and cheese cluster, the tourism cluster, the information technology cluster, the wine cluster and the apparel cluster. Regarding the progress of the selected clusters in the previous period, it is evident that progress has been achieved in terms of accepting the idea of clustering and in understanding the benefits of cluster networking (clustering) by the managers of the businesses which are connected into clusters. However, there is still no evident progress in terms of significant growth of productivity of the entities incorporated into the mentioned clusters, nor a significant increase of their exports. These results are expected to come in due course, since the digestion of the essence of modern business operations, as well as the practical implementation of modern forms and techniques of doing business, are a complex task for a large number of businessmen in Macedonia.

In December 2005 the National Entrepreneurship and Competitiveness Council of Macedonia has published the first National Competitiveness Report of the Republic of Macedonia, representing a comprehensive assessment of the existing competitiveness capabilities of the Macedonian economy, as well as a list of priorities and key recommendations for upgrading the competitiveness of the Macedonian economy. Among the key recommendations addressed by this Report are: to intensify the structural reforms in the country, together with intensification of the transfer of responsibilities from national to local economic levels; to support (through upgrading the institutional infrastructure) the development of innovations, of technology transfer and of “knowledge-based companies”; to prepare technology development policy of Macedonia; to reform the educational system towards creating work-force which will meet the needs of businesses, and to integrate the education with the needs of businesses; to implement fully the European System of Transfer of Credits in the universities in Macedonia; to create a system of life-long learning and vocational training of employees; to stimulate further inflow of FDIs; to stimulate the entry of foreign large banks on the market, and so on. The implementation of those and other recommendations will create the background for a medium-term upgrading of the competitiveness of Macedonian economy having in mind the realisation of country’s comparative advantages.

The strategy for enhancing the competitive ability to penetrate foreign markets is based on the need to reform the public institutions responsible for agriculture, through defining measures for stimulating farmers and food processing industries to upgrade their competitiveness, but also to promote private farmers and food processing industries. In general the agricultural sector reforms includes three elements: (1) upgrading the management capacities of the Ministry of Agriculture, Forestry and Water Economy; (2) approximation of the legal framework and institutional structures to comply with the EU veterinary, phytosanitary and food safety standards; and (3) development of capacity for supporting rural development. The support to the private agricultural sector will focus on strengthening the marketing chains, and improving the access of food-producers and processors to modern technology.

Few key recommendations in the National Competitiveness Report of the Republic of Macedonia address specifically the agricultural sector. They are: to reduce the double taxation of agricultural products, which is in line with the simplification and cost reduction of activities of small scale farmers; to allow return of VAT to sole proprietor farmers; and to support tailor-made training and guidance for farmers, especially in the field of implementation of new technologies and international standards of production.

Considering the challenges, the goals of the agricultural sector development policy are: to create capacity for competing in the EU and South-East Europe integrated regional markets; to increase the efficiency of agricultural production, processing and marketing; to develop effective public and private institutions to support agricultural development; to increase revenues from agriculture; to provide access of consumers to safe and healthy food; to optimize the utilisation of limited resources of land, forests and water in an environmentally sustainable manner; and to develop sustainable rural communities through permanent rural development.

The priorities of the agricultural policy aimed at implementing the obligations of the convergence to the EU and WTO are directed towards: (1) harmonisation of commercial, institutional and price policy in line with the commitments deriving from the Stabilisation and Association Agreement and the WTO requirements; (2) limiting the budget support to agriculture; and (3) reorganisation of structures in the Ministry of Agriculture, Forestry and Water Economy and the related public agencies aimed at strengthening their capacity. The harmonisation of laws, policies and procedures for veterinary protection (International Epizootic Office), phytosanitary systems (International Plant Protection Convention) and food safety in line with WTO and the EU conditions implies amending and adopting new laws and procedures for harmonisation with international conventions applicable in the area of veterinary protection, phytosanitary systems and food safety, etc. With respect to budgetary restrictions in the area of agriculture, efforts will be made for optimal utilisation of limited budget resources. In order to strengthen and restructure public institutions that are stakeholders of agriculture sector it is necessary to establish a management structure with sufficient capacity. Change of competences among the ministries will be performed, where the MAFWE will take over the responsibilities for rural development, as is the case with the EU countries. In the process of its internal reorganisation, the Ministry will also strengthen and promote services aimed at providing coordinated reform of the legislation, policy and institutions required to satisfy the conditions for EU membership.

3 CAPACITY FOR ASSUMING THE OBLIGATIONS FROM THE EU MEMBERSHIP

3.1 FREE MOVEMENT OF GOODS

3.1.1 HORIZONTAL ISSUES

CURRENT SITUATION

LEGAL FRAMEWORK

The legal basis for the areas of accreditation, standardization, metrology, market surveillance and conformity assessment consists of the following regulations:

- Law on Accreditation (Official Gazette of the Republic of Macedonia, No.54/2002)
- Law on Standardisation (Official Gazette of the Republic of Macedonia, No.54/2002)
- Metrology Law (Official Gazette of the Republic of Macedonia, No.55/2002)
- Law on Prescribing Technical Requirements for Products and Conformity Assessment (Official Gazette of the Republic of Macedonia, No.55/2002)
- Law on Market Inspection (Official Gazette of the Republic of Macedonia, Nos.35/97, 23/99, 7/2002)
- Law on Trade (Official Gazette of the Republic of Macedonia, No. 16/2004)
- Law on Consumer Protection (Official Gazette of the Republic of Macedonia, No.38/2004).
- Law on General Administrative Procedure (Official Gazette of the Republic of Macedonia, No.38/2005)
- Law on the Organisation and Operation of State Administrative Bodies (Official Gazette of the Republic of Macedonia No. 58/2000 и 44/2002).

During 2002, the Institute for Standardisation and Institute for Accreditation were created, as well as the Metrology bureau, which is a body within the Ministry of Economy.

STRATEGIC DOCUMENTS

The Ministry of Economy has prepared a Working programme for transposition of the New and Old Approach Directives. The Government of the Republic of Macedonia adopted a Policy on the development of metrological infrastructure, short-term Programme for development of metrological infrastructure, National accreditation policy and a National standardisation policy. Concerning Market surveillance, a Programme is currently in the process of preparation which will comprise all the activities in a special framework for their implementation within the project financed by the World Bank – BERIS. The adoption of an operational programme for the functioning of the State market inspectorate is also envisaged for 2006.

INSTITUTIONAL FRAMEWORK

An important prerequisite for the implementation of the Law on Product Safety in the Republic of Macedonia is the construction of an infrastructure for product safety.

The Ministry of Economy works in the direction of completing the legal framework and appropriate establishment of competencies for the preparation of legal acts in this area. For this purpose, a Sector for Internal Market shall be established.

Other relevant institutions are the following: Ministry of Health, Ministry of Labour and Social Policy, Ministry of Transport and Communications, Ministry of Environment and Physical Planning, and other bodies having competences in the area of non-foodstuffs safety.

The State Market Inspectorate, along with the other inspection bodies, in accordance with the Law on General Administrative Procedure and the Law on the Organisation and Operation of State Administrative Bodies (Official Gazette of the Republic of Macedonia Nos. 58/2000 и 44/2002), is an implementing body for the legislation having a competence for Market surveillance, with a total number of employees of 229, out of which 155 are inspectors.

- Standardisation

On the basis of the Law on Standardisation (Official Gazette of the Republic of Macedonia, No. 54/2002) and the Decision of the Government of the Republic of Macedonia (Official Gazette of the Republic of Macedonia, No. 14/2003), in March 2003, the Institute for Standardisation of the Republic of Macedonia was established as a special public institution (hereinafter referred to as ISRM).

The Law on Standardisation regulates the aims and the principles of Macedonian national standardisation, the status of IRSM as well as its tasks, the association in the international and European standardisation organisations, its financing, preparation, adoption and publishing of Macedonian national standards and their implementation.

The IRSM performs the following tasks:

- Prepares, adopts and delivers Macedonian standards and other standardisation documents
- Promotes the implementation of Macedonian standards;
- Cooperates with the state administration in function of supporting the establishment and implementation of technical legislation.
- Represents the interests of the Republic of Macedonia in the European (CEN, CENELEC) and international (ISO, IEC) standardisation organisations and participates in their work.
- Performs tasks of the Information and Contact body of IRSM in accordance with the WTO Agreement on technical barriers to trade
- Establishes and maintains a database on the standards and other documents in the area of standardisation and gives information concerning standards and other documents;

- Accreditation

On the basis of the Law on Accreditation (Official Gazette of the Republic of Macedonia 6p.54/02) and the Decision of the Government of the Republic of Macedonia (Official Gazette of the Republic of Macedonia, No. 14/2003), the Institute for Accreditation was established as a special public institution performing tasks and duties of a national accreditation service in the Republic of Macedonia (hereinafter referred to as IARM).

Accreditation is an expert procedure by which the IARM formally confirms the ability of an institution to perform specific tasks in the area of conformity assessment by means of certificate.

The IARM performs the following tasks:

- accreditation of: testing and calibration laboratories, bodies performing certification of products, bodies performing certification of quality systems, bodies performing certification of environmental and nature protection systems, bodies performing certification of persons and bodies performing inspections;
- administrates and coordinates the accreditation activities in the Republic of Macedonia following the international principles and practices;
- actively cooperates with the European and international accreditation organisations, as well as with the relevant national accreditation bodies,
- cooperates with the state administration in the area of accreditation and performance of conformity assessment procedures;
- is in charge of training assessors;
- promotes the accreditation system in the Republic of Macedonia

A detailed description of the work of IARM is provided in the National policy in the area of accreditation, same as in the annual working programme of the IARM. Accreditation is an activity of public interest.

-Metrology

The Metrology Bureau is a specialised expert body within the Ministry of Economy which performs tasks and duties regarding the metrology system of the Republic of Macedonia.

The primary task of the Metrology Bureau is the provision of traceability (of physical size of measurement unites in the country and worldwide) and performance, storage and maintenance of national metrics and certified reference materials as well as calibration of metrics and meters. In order to perform these tasks the Metrology bureau cooperates with specialised international and regional organisations (OIML, CGPM, EUROMET, WELMEC).

The other operations in the field of metrology such as the metrological monitoring of quantities and labels on packed products and expert monitoring are defined by the Metrology Law (Official Gazette of the Republic of Macedonia, No. 55/2002). The provisions of the Metrology Law concern the assurance of the legal character of meters (verification and conformity assessment of measure type), used in the area of:

- protection of human, animal and plant health;
- environmental and nature protection;
- general technical safety;
- free exchange of goods and services and
- Proceedings in front of administrative and judiciary bodies.

The Metrology Council was created within the Metrology bureau and is operating as an expert advisory body.

The following by-law was adopted in the area of metrology:

- Rulebook on the form and manner of maintaining the register for inscription of marks and certificates of conformity concerning the type of meters and marks and seals, i.e. certificates for verification of meters of foreign origin and form and contents of the decision for inscription in the register and decision rejecting the inscription in the register.

- Conformity assessment (Testing, inspection, certification)

In the Republic of Macedonia, the testing, inspection and certification activities are carried out by legal persons that directly or indirectly perform conformity assessment of products. It is desirable that these bodies are accredited in accordance with the EN 45000 standards, although this obligation does not exist in all areas. The Minister of Economy shall authorize these persons to perform conformity assessment by means of a decision.

The Republic of Macedonia implements the procedure established in accordance with the "New Approach" directives. This sort of body need not be notified – declared in every sector. Namely, in the Republic of Macedonia, it is allowed that in such a case, the services of a relevant body from other EU Member States may be used.

- Market surveillance

Market surveillance in the Republic of Macedonia is particularly important for monitoring and determining whether the goods placed on the market are in accordance the relevant Community legislation. Namely, market surveillance means verification whether the products fulfil the requirements of the relevant directives, followed by activities for harmonisation of the products and finally pronouncing sanctions when necessary. Market surveillance protects the interests of consumers, workers and other users, as well as economic operators.

Effective market surveillance ensures that the products placed on the market fulfil the requirements determined with the regulations. In the Republic of Macedonia, this task is realised through inspection bodies. Market surveillance is particularly necessary in the case of products for which a special approval is not necessary before their putting into circulation. The coordination between the market surveillance bodies (inspection services) is performed on the basis of the Law on General Administrative procedure, the Law on the Organisation and Operation of State Administrative Bodies (Official Gazette of the Republic of Macedonia Nos. 58/2000 and 44/2002), as well as the specific laws for inspection bodies which regulate the competencies of every state administration body.

Before the start of the customs procedure, the State Market Inspectorate performs an inspection of all goods (non-foodstuffs), in terms of labelling and instructions for use which should be written in Macedonian language and Cyrillic alphabet and placed on the original package, which does not exclude the possibility of simultaneous use of other languages and signs easily comprehensible for the consumers, and afterwards prepares a document (minutes) on the basis of which the relevant customs authority performs customs clearance.

The exchange of information between the different relevant bodies is performed continuously and with constant mutual communication.

- This area is regulated with:
- Law on Trade (Official Gazette of the Republic of Macedonia No. 16/04)
- Law on Catering Industry (Official Gazette of the Republic of Macedonia No. 62/04)
- Law on Tourism (Official Gazette of the Republic of Macedonia No. 62/04)
- Law on Craftsmanship (Official Gazette of the Republic of Macedonia No. 62/04)
- Law on Product Safety (Official Gazette of the Republic of Macedonia No. 33/06)
- Law on State Market Inspectorate
- Law on Consumer Protection (Official Gazette of the Republic of Macedonia No. 38/04)
- Metrology Law (Official Gazette of the Republic of Macedonia, No. 55/2002)
- Law on Waste Management (Official Gazette of the Republic of Macedonia 68/04).
- Law on Industrial Property (Official Gazette of the Republic of Macedonia, No. 47/02, 42/03).
- Law on Trade (Official Gazette of the Republic of Macedonia No. 16/04).
- Law on Copyrights and Other Related Rights (refined text) (Official Gazette of the Republic of Macedonia No. 23/2005)
- Law on Protection from Smoking (Official Gazette of the Republic of Macedonia, No. 36/95, 70/2003 and 29/2004).
- Law on Control of Goods Made of Precious Metals (Official Gazette of the Republic of Macedonia, No 23/95)

SHORT-TERM PRIORITIES

LEGISLATION

The adoption of a Law on product safety shall be followed by the adoption of the following by-law acts:

1. Rulebook on notification procedure, as well as the format and contents of the notification form;

2. Decree on exchange of information with the EC concerning the adopted inspection measures for withdrawal of complete withdrawal of products from the market;
3. Decree on notification for RAPEX
4. Decree on the manner and procedure for appointing the bodies for conformity assessment as well as the manner and procedure for notification of bodies for conformity assessment 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;
5. Decree on the procedure for the adoption of technical and non-harmonized regulations and standards;

With the adoption of these by-law acts, the Directive on General Product Safety (32001L0095) and the Directive regarding Notification procedures for technical regulations (31998L0034) shall be completely transposed and thus the legal basis for the transposition of the so-called "vertical" directives shall be finalised.

It is planned to implement a national promotion campaign in order to familiarize consumers with the meaning of the "CE" marking.

The plans in the area of standardization include:

Programme for adoption of Macedonian standards

The dynamic of adoption of European harmonized standards shall be followed by the dynamics of adopting national regulations on the basis of the New Approach directives. The largest number of standards is expected to be adopted by the method of endorsement.

Establishment of a national technical infrastructure for standardization

Creation of technical committees for specific areas - *mirror* technical committees whose scope of work shall cover the scope of work of the technical committees within the European standardization institutions (CEN and CENELEC): The creation of technical committees is determined by the interest of all interested parties: the business community, the state administration bodies etc. The creation of 15 national *mirror* technical committees is foreseen to be completed by the end of 2006.

Establishment of a standards database

Strengthening the system for management, with documents and standards, and creation of databases of Macedonian, European and international standards.

In 2006, through the BERIS project, it is envisaged to provide software for management with documents and archiving standards which shall provide conditions for the creation of databases of Macedonian and European standards.

In the area of accreditation:

- accreditation of conformity assessment bodies (laboratories, certification bodies, inspection bodies)
- membership in the EA as a fully-fledged member (for the time being, only a cooperation agreement has been signed) Membership in the IAF, ILAC - international accreditation organisations.
- trainings concerning the principles and requirements in compliance with European accreditation.

In the area of metrology, the following bylaws have been prepared and are expected to be adopted by the Ministry of Economy by the end of 2006:

1. Rulebook on the manner and procedure for first, periodical and extraordinary verification of meters
2. Rulebook on the forms of the marks and seals used for verification of meters, as well as the contents of the certificate for verification of meters
3. Rulebook on the manner and procedure for conducting metrological supervision and metrological requirements that the packed products should meet considering the quantities, manner of labelling and permitted tolerance of the labelled quantity and list of nominal quantities of the packed products
4. Rulebook on non-automatic weighing instruments
5. Rulebook on names and symbols, field and manner of application, obligation for use and manner of writing down the measure units.

Also, the preparation of the following legal regulations is planned:

- Law on Control and Marking of Goods Made of Precious Metals (EFTA Convention PMC/W - 1/2003)
- Rulebook on the manner and procedure for conformity assessment of meters, as well as the method, certain methods or combination of methods for conformity assessment of the type of meters, as well as the contents and form of the certificate for conformity assessment of the type.
- Rulebook determining certain categories of meters for which verification is compulsory and time limits for periodical verification
- Rulebook on the manner and procedure for professional supervision
- Rulebook on the form and manner and procedure for issuing and withdrawing of the identification card for professional supervision (non-harmonized part)

- Rulebook on additional requirements for authorising the legal person, procedure for authorisation, duties of the authorised person and evaluation of the fulfilment of the requirements for authorisation.

Regarding **conformity assessment** in the Republic of Macedonia, it is foreseen to complete the legal framework for appointing and notification of bodies for conformity assessment, and to provide a functional infrastructure for conformity assessment. The Law on product safety represents the legal basis for the regulation of this area. The adoption of this Law shall be followed by the adoption of a Decree on the manner and procedure for appointing the bodies for conformity assessment as well as the manner and procedure for notification of the bodies for conformity assessment in the EC during 2006.

In accordance with the Law on Product Safety, the creation of a Committee on product safety issues is also envisaged. The Committee shall be composed of representatives of the relevant administration bodies, consumer organisations, chamber of commerce and citizens' associations, as well as distinguished experts in the field of technical product safety and consumer safety.

The technical regulations for specific products or groups of products define the requirements to be met by legal persons during the performance of conformity assessment. If it is established that the requirements for performing conformity assessment defined with the technical regulations are met, upon previous consent by the Minister in charge of adopting the regulations in the relevant area, the Minister shall authorise the legal person for performing conformity assessment by force of a decision. If the minister establishes that the conformity assessment body ceased meeting a certain requirement determined with the technical regulation, he shall adopt a decision for abolishing the decision for authorisation. The authorisation of conformity assessment bodies is performed in accordance with the determined authorisation procedure, by the Ministry of Economy, and according to the Law on product safety, it shall also be in charge of establishing a Register of conformity assessment bodies.

In order to realise the foreseen activities, it is planned to conduct intensive trainings for conformity assessment bodies as well as dissemination of information.

In the area of **market surveillance** the establishment of a coordinative body for market surveillance has been finalised in March 2006. The creation of this body will be followed by the adoption of a Working programme of the coordinative body by the end of 2006, containing concrete measures and activities and a schedule for their realisation.

After the adoption of a new Law on State Market Inspectorate, the adoption of the following bylaws in accordance with this Law is foreseen during 2006:

- Rulebook on the form and contents of the inspectors' identification cards
- Rulebook on the form and contents of the market executive officers' identification cards
- Rulebook on the conditions and manner for buying products during inspection supervision
- Rulebook on the conditions and manner for destruction of press products and sealing the premises and the form and contents of the seal
- Rulebook on sampling and checking samples and the cost recovery procedure for the testing during inspection supervision

INSTITUTIONS

Within the Ministry of Economy, a Sector for Internal Market shall be created, having the following competencies:

- following of the actual situation
- preparing legal regulations
- authorisation of conformity assessment bodies
- notification of the EC

Depending on the temporal dynamics of the adoption of legislation in this area, the employment of appropriate staff shall be necessary. It is planned for the staffing to be provided partly with the current employees in the Ministry of Economy, but new employments shall also be necessary (8 in accordance with the new systematisation of the Ministry of Economy).

Training for persons in charge of specific directives is also foreseen upon the decision of the Minister of Economy.

The employment of 10 new persons holding a university degree is foreseen for the State Market Inspectorate, as well as conducting trainings for employees in the inspection bodies for Market surveillance.

Regarding the institutional capacity of the ISRM, its staff shall be expanded with 12 new employments. Currently, it has six permanent employees.

The organisation of trainings for national standardisation procedures and rules for active cooperation in the preparation of European and international standards in European and international technical working bodies is also planned.

The current staffing of the IARM is composed of 4 permanent members, and 5 new employments are foreseen for the year 2006.

Regarding the institutional capacity of the MB, its staff shall be expanded with 10 new employments namely high-profile trained staff, through the EU CARDS/SMAQVa programmes. The current staffing of the MB is 28 permanent employees, and the Budget for 2006 provides means for salaries, allowances and contributions for 10 new staff members.

MEDIUM - TERM PRIORITIES

The plans in the area of standardization include:

- Adoption of a Programmes for adoption of standards (on an annual level)
- Accepting international standards as Macedonian standards is one of the priorities in the process of association of the Republic of Macedonia in the European Union, in order to fulfil the conditions for fully-fledged membership in the European standardisation institutions CEN and CENELEC. Namely, 80% of European standards are planned to be accepted as Macedonian standards.
- **Establishment of a national technical infrastructure for standardization**
Creation of technical committees for specific areas – *mirror* technical committees whose scope of work shall cover the scope of work of the technical committees within the European standardization institutions (CEN and CENELEC): The creation of technical committees is determined by the interest of all interested parties: the business community, the state administration bodies etc.
The creation of 40 national mirror technical committees is foreseen to be completed by the end of 2010.
Maintenance of a database of Macedonian, European and international standards
- **Strengthening of the human resource capacity of ISRM** - Staffing: full staff capacity by the end of 2008, in accordance with the Rulebook on systematisation of the ISRM. New employments: 2007- 6 new employments, 2008 - 4 new employments. In 2008, the Institute should operate with its full human resource capacity, that is, a total of 28 employees.
Trainings for national standardisation procedures and rules for active cooperation in the preparation of European and international standards, in European and international technical working bodies, as well as training of the employees in the ISRM and technical committee members.
Complete equipment of the Information centre within the Institute for standardisation and provision of software for the support of the national process for adopting standards and the work of technical committees within the Institute.

The plans in the area of accreditation include:

- increased number of accredited conformity assessment bodies (laboratories, certification bodies, inspection bodies) in accordance with the requirements for accreditation and the relevant accreditation procedures, which would represent a basis for mutual recognition of results;
- increased number of expert assessors, conclusion of Agreements for bilateral cooperation.
- conclusion of agreements for mutual recognition of results.

The plans in the area of metrology are the following:

According to the prepared National programme for development of metrological infrastructure for the period 2006-2009, it is planned:

- transformation from an administrative body into an independent, competent, specialised and high-profiled professional institution in accordance with the Metrology Law, and thus more rapid implementation of European practices;
- establishment of partnership relations through agreements with the users of metrology infrastructure as constructors of the dispersive model;
- Exploitation of domestic resources, above all of those of the national educational institutions for vocational training and creation of national metrics in areas where the National Metrology Bureau does not have the possibility to do so;
- Introduction of relevant quality systems in the Metrology Bureau (ISO 17025, ISO 17020 and ISO 9000);
- declaration of national metrics for the measurement units (mass, pressure, temperature, density, length, volume, low voltage, resistance);
- international recognition of the national metrological infrastructure by accessing the General conference on weights and measures and EUROMET as well as creation and publication of tables of our calibration and measurement capacities.
- active participation in providing appropriate use of the means from the MSTQ component of the BERIS programme of the World bank for further equipping and strengthening of the Metrology Bureau.

In the area of **market surveillance** it is planned to improve the organisational structure of all the institutions involved in the area of market surveillance. It is planned for the market surveillance bodies to have appropriate legal force and working methods. Namely, in the short - term, the establishment of completely effective and efficient market surveillance is foreseen. Within the State Market Inspectorate, an intensive training for the implementation of regulations harmonised with the European acquis is

envisaged, as well as the improvement of information equipment and improvement of communication. The expert upgrading is planned to be organised through seminars, trainings etc.

FOREIGN ASSISTANCE

In the frame of the BERIS project – “Business Environment Reform and Institutional Strengthening Project” financed by the World Bank, for the period 2006-2009 there is special component aimed at strengthening of the metrology, standardisation, testing and quality systems. There is also a special sub-component intended for the Institute for Accreditation, Institute for Standardisation and Metrology Bureau.

The purpose is to establish an efficient standardisation, accreditation and metrology system in Macedonia.

In October 2005, the new Memorandum for cooperation with the GTZ was signed, concerning the preparation of bylaws for transposition of New Approach directives in the period 2006/2007.

3.1.2 NEW APPROACH DIRECTIVES

The coordination of activities in the direction of harmonizing national legislation and adopting European technical norms and standards continues to function successfully through the work of the Working group for Free Movement of Goods and the Working sub-groups operating under coordination of this group.

With the assistance of the Twinning project with the Republic of Slovenia - Approximation of legislation in the area of Internal market and the GTZ project for transposition of New approach directives, so far, the Ministry of Economy transposed a large number of New approach directives, and a number of legal regulations have been prepared, which are expected to be adopted during 2006/2007.

1. Law on Product Safety represents a legal basis for the adoption of bylaws in order to transpose the following new approach directives:
 - Electro-magnetic compatibility
 - Machinery
 - Low voltage
 - Simple pressure vessels
 - Pre-Packed Products
 - Appliances burning gaseous fuels
 - Non-automatic weighing instruments
 - Notification directive
 - Equipment for use in potentially Explosive Atmospheres (ATEX)

Within the frames of the phase II of the GTZ project - Technical aid for the transposition of technical EU directives during 2006, the following directives shall also be transposed:

- pressure equipment
- lifts
- cable installation designed for transport of persons
- personal safety equipment
- transportable pressure equipment
- hot-water boilers
- energy efficiency requirements for household electric refrigerators

The Law on Product Safety is adopted by the Assembly of the Republic of Macedonia in March 2006. With the adoption of the Law on Product Safety, the entire matter in the area of technical harmonisation is reunited, and there is a possibility of transposing New Approach and Old Approach Directives and the Non-harmonised area, providing at the same time a possibility to overcome the legal loopholes of the Law on prescription of technical requirements for products and conformity assessment, which shall cease to be valid after the adoption of the abovementioned Law. Before its entry into parliamentary procedure, the Law was also subject to a TAIEX expertise.

The Law on product safety also represents a legal base for transposition of the Directive 31998L0034 concerning the notification procedures for technical regulations. The notification procedure as well as the form and contents of the notification shall be regulated with a by-law act and shall be prescribed by the Government of the Republic of Macedonia.

On the basis of the Law on Consumer protection (Official Gazette of the Republic of Macedonia, No. 38/2004) and article 39 thereof, a Rulebook on the properties of children's toys in circulation (Official Gazette of the Republic of Macedonia, No. 90/2004),

harmonized with the Directive 31988L0078 of May 3, 1998, concerning the approximation of national laws in the area of safety of toys. The Rulebook was prepared by the Ministry of Economy in cooperation with the Ministry of Health.

The Republic Institute for Health Protection - Sector for control of general use items, performs the control over sanitary safety of children's toys.

The legal solutions within the Law on consumer protection (Article 128) allow a wide possibility for inclusion of non-governmental organisations in the creation of consumer policy, information, education and advising citizens - consumers.

SHORT-TERM PRIORITIES

By the end of 2006, it is planned for a Decree to be adopted, emerging from the Law on Product Safety, which shall transpose the Directive 31998L0034, on the procedures for submitting information on the adoption of regulations, standards and other technical specifications for products for which there is no harmonised legislation at a EU level.

According to the principles of the European Commission, a body shall be created in the Republic of Macedonia that will directly cooperate with the Information body of the EC.

The working versions of the following bylaws whose adoption is foreseen for the period of 2006 and 2007 have been prepared:

1. Rulebook on electrical equipment intended for use in a certain voltage limits
2. Rulebook on electromagnetic compatibility
3. Rulebook on machinery safety
4. Rulebook on simple pressure vessels
5. Rulebook on equipment for use in potentially Explosive Atmospheres (ATEX)
6. Rulebook on lifts
7. Rulebook on appliances burning gaseous fuels
8. Rulebook on pressure equipment
9. Rulebook on transportable pressure equipment
10. Rulebook on energy efficiency requirements for household electric refrigerators
11. Rulebook on new hot-water boilers
12. Rulebook on periodical testing of pressure equipment and transportable pressure equipment
13. Rulebook on periodical testing of elevators and cable railways
14. Rulebook on personal safety equipment
15. Decision on CE marking
16. Decision on minimum criteria for designated bodies
17. Decision on minimum criteria for notified bodies
18. Rulebook on medical devices
19. Rulebook on in vitro diagnostic medical devices
20. Rulebook on Recreational crafts
21. Rulebook on Radio and telecommunications terminal equipment

After the adoption of the Law on Construction products which is fully harmonized with the EU Directive on construction materials 31989L0106, the following bylaws shall be adopted:

1. Rulebook on affixing and attestation of conformity of construction products
2. Rulebook on essential requirements for construction works that must be complied with when determining the characteristics of construction products
3. Rulebook on market classification of construction products
4. Rulebook on the procedure for granting European technical consent for a construction products
5. Decisions for establishing conformity of specific families of construction products

The basic goal of the abovementioned legal regulations for construction products is the respect of technical requirements regarding products on the European market.

INSTITUTIONS

The capacity of the Ministry of Economy shall be strengthened and horizontal cooperation among all the involved parties shall be realised in order to implement the legal regulations in this field.

In order to provide systematic and organised implementation of the obligations towards the World Trade Organisation, the Ministry of Economy is appointed as the governmental notification body in the part of TBT and SPS. Apart from the single governmental notification body, there are also the Information body within the Institute for Standardisation of the Republic of Macedonia and the

Information body within the Republic Institute for Health Protection, whose cooperation needs to be strengthened in order to successfully implement the notification procedures towards the WTO.

MEDIUM - TERM PRIORITIES

Completion of the legal framework in this area, full implementation of the European standards in the Republic of Macedonia,, and strengthening of the administrative capacity for complete implementation of regulations.

External border checks of imported products are performed by the State Market Inspectorate and the State Sanitary and Health Inspectorate. Before the start of the customs clearance procedure, these inspectorates verify the declarations and the instructions for use of the given product. It is foreseen that the Republic of Macedonia introduce a procedure during which the customs authorities shall check the products in accordance with Community legislation.

3.1.3 OLD APPROACH DIRECTIVES

CHEMICAL PRODUCTS - Chemicals

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Trade in Poisons (Official Gazette of the Republic of Macedonia No. 13/91), the Law on Production of Poisons (Official Gazette of the Republic of Macedonia No. 18/76) and the Law on Carriage of Dangerous Goods establish the legal framework which regulates production, sales, control and transport of dangerous substances. Apart from these legal acts, the matter of dangerous substances is regulated with various by-law acts.

The Law on Trade in Poisons regulates the requirements for sales and supervision of toxin sales. According to this Law, trade in poisons means providing, storage, import, export, sale and all other manner of commissioning toxins.

The Law on Production of Poisons regulates the conditions under which toxins may be produced, whereby production of toxins means preparation, manufacturing, packing, storage and transport of preparations and substances with dilution, dissolution, watering down or any other manner.

The Law on Carriage of Dangerous Goods regulates the conditions for carriage of all dangerous goods.

INSTITUTIONAL FRAMEWORK

The Ministry of Health prescribes the requirements for production and sales of dangerous substances. The procedure of issuing licenses for import or export of toxins, as well as that of issuing approvals for sales, is performed by the Bureau for Medicines, while the State Sanitary and Health Inspectorate performs the control and supervision over the entire process of production and sales of toxins. The distribution of toxins and preparations containing toxic substances is performed by the Pharmaceutical Faculty and the Institute of Pharmacology, upon the authorisation of the Ministry of Health. The Faculty of Agricultural and Food performs the evaluation of the efficiency of communal hygiene agents (disinfection, desinsectisation and deratisation agents), while the evaluation of microbiological efficiency is performed by the Institute of Microbiology.

The Republic Institute of Health Protection performs laboratory analysis of communal hygiene agents, as well as that of objects for general use containing toxins.

The Ministry of Agriculture, Forestry and Water Economy is competent for issuing permits for commissioning plant protection agents, while the Veterinary Institute is in charge of agents used for disinfection, desinsectisation and deratisation in animals.

SHORT-TERM PRIORITIES

LEGISLATION

A new Law on Chemicals is in course of preparation. It is planned for the Law to regulate the area of production, trade, classification, packaging and labelling of dangerous substances and preparations, biocides, as well as the manner of notification for new substances. The Law shall be prepared by the Ministry of Environment and Physical Planning and the Ministry of Health and is expected to be adopted by the end of 2007.

MEDIUM - TERM PRIORITIES

LEGISLATION

The adoption of bylaws of the Law on Chemicals is envisaged, regulating the following: contents and manner of data delivery to the institution, as well as the manner of keeping registry of accidents caused by poisoning in the RM; methods for assessment of chemicals; contents of the application form for new chemical, the required documentation and the procedure for its approval; procedure for registration of biocides; requirements considering packaging containing dangerous chemicals as well as the manner of warning the consumers for the dangerous properties of the chemicals;

classified data character of separate groups of chemicals as well as classified data management; principles of good laboratory practice.

The adoption of other acts is also envisaged, which shall determine the conditions for good practices in production or trade in chemicals, prohibition or limitation of production, distribution or use of dangerous chemicals etc.

INSTITUTIONS

The Draft Law on Chemicals foresees authorization of a relevant institution. Taking into consideration the volume of activities, it will be necessary to further equip the authorised institution from a technical and human resource point of view.

CHEMICAL PRODUCTS - Detergents

CURRENT SITUATION

LEGAL FRAMEWORK

Law on Sanitary Safety of Foodstuffs and General Consumption Products (Official Gazette of the SFRY No. 29/73), defines as general consumption products "the agents for maintenance of hygiene" as well.

INSTITUTIONAL FRAMEWORK

The Ministry of Health prescribes the requirements for production and trade in products for general use, while the control and supervision is performed by the State Sanitary and Health Inspectorate.

The Republic Institute for Health Protection - Sector for medicines control performs the control over the quality of detergents.

SHORT-TERM PRIORITIES

LEGISLATION

The adoption of a new Law on Safety of Detergents is envisaged for which a TAEX expertise was asked. The foreseen deadline for its adoption is the last quarter of 2006.

The new Law shall be harmonised with the new Regulation on detergents No. 648/2004 which entered into force on October 8, 2005.

INSTITUTIONS

The human resources capacity of the existing inspection and Sector for medicines control within the Republic Institute for Health Protection is to be strengthened, as well as the training of employees for the implementation and control of new regulations in this area.

MEDIUM - TERM PRIORITIES

LEGISLATION

The adoption of bylaws is foreseen in order to regulate the methods for analysis of biodegradability of detergents, as well as the specific requirements for labelling ingredients in function of full harmonisation with the Regulation 648/2004.

PHARMACEUTICAL AND COSMETIC PRODUCTS

CURRENT SITUATION

LEGAL FRAMEWORK

The legal framework regulating production, trade and control of cosmetic products consists of the following regulations:

- Law on Health Supervision of Foodstuffs and General Consumption Products (Official Gazette of the Republic of Macedonia No. 29/73) ;
- Law on Sanitary Safety of Foodstuffs and General Consumption Products (Official Gazette of the SFRY No 55/78) and
- Rulebook on the requirements concerning sanitary safety of general use items to be put into circulation (Official Gazette of the Republic of Macedonia No. 26/83),

It is important to point out that the provisions of these regulations concerning food, food safety and toys, ceased being valid with the adoption of the Law on food safety and Law on consumers.

The Law on Health Supervision of Foodstuffs and General Consumption Products regulates health supervision over production and trade in foodstuffs and products for general use determined with the regulations for sanitary safety of products and items.

Law on Sanitary Safety of Foodstuffs and General Consumption Products prescribes the requirements to be met by foodstuffs and objects of general use in order to be produced or commissioned, as well as their supervision. The Law also defines cosmetic products as general use items.

Rulebook on the requirements concerning sanitary safety of general use items that may be commissioned determines the requirements in terms of sanitary safety that should be met by the general use items being commissioned.

INSTITUTIONAL FRAMEWORK

The Ministry of Health prescribes the requirements for production and sales of cosmetic products. The State Sanitary and Health Inspectorate perform the control and supervision over the entire process of production and trade in cosmetic products.

The control of the quality of these products is performed by the Republic Institute for Health Protection.

SHORT-TERM PRIORITIES

LEGISLATION

The Law on Safety of Cosmetic Products is currently in course of preparation. The Law is being prepared by a working group within the Ministry of Health, along with the representatives of the Republic Institute for Health Protection.

INSTITUTIONS

Strengthening of the existing human resource capacities is planned for the implementation the new legislation in the area of cosmetic products.

The employment of 10 more inspectors in the State Sanitary and Health Inspectorate is envisaged, and it is also necessary to increase the number of employees in the Sector for control of medicines within the Republic Institute for Health Protection where the control of the quality of cosmetic products is performed, for two more persons. Regarding the employees in the State Sanitary and Health Inspectorate, it is necessary to conduct training in the areas of hygiene, good production practices for cosmetic products, implementation of legal procedures and control implications. For the needs of the control laboratory, it is necessary to provide additional equipment: one liquid thin layer chromatography device, one atomic absorption spectrophotometer and one gas chromatographer. It is also necessary 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

LEGISLATION

Adoption of bylaws is foreseen in order to determine the lists of products considered as cosmetic, lists of products not to be used as cosmetic products, lists of substances whose utilization in cosmetic products is allowed, lists of colours, UV filters and preservatives, principles of good production practices, principles of good laboratory practices, methods for analysis of cosmetic products, as well as the contents and manner of labelling finished cosmetic products.

The adoption of these acts shall mean the implementation of EU measures presented in the tables below.

INSTITUTIONS

The process of employment of 10 persons in the State Sanitary and Health Inspectorate is planned, as well as in the Republic Institute for Health Protection.

Regarding the employees, it is necessary to conduct training in the areas of hygiene, good production practices for cosmetic products, implementation of legal procedures and implicational of controls.

A sub specialisation in the area of cosmetology is necessary for the employees in the control laboratory.

MEDICINAL DRUGS, SUPPLEMENTARY TREATMENT SUBSTANCES AND MEDICAL DEVICES

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Pharmaceutical Drugs, Supplementary Treatment Substances and Medical Devices (Official Gazette of the Republic of Macedonia No. 21/98) defines the conditions under which commissioning, production and sales, control of quality, safety and efficiency as well as supervision of production, sales and quality control over medicinal drugs, supplementary treatment substances and medical devices are performed, as works of public interest.

Concerning the procedure for prescription and issuing drugs, a Rulebook on the manner of prescription and issuing of medicines and medical accessories was published (Official Gazette of the Republic of Macedonia No. 17/2002). In 2002, the Rulebook on requirements in terms of premises, equipment and human resources to be met by the legal persons performing wholesale trade in drugs, additional medicines and medical accessories used in humane medicine (Official Gazette of the Republic of Macedonia No. 64/2002) was published. In 2004, an Instruction on the procedure of issuing a permit for commissioning a final drug (Official Gazette of the Republic of Macedonia No. 49/04) and the Instruction on testing the Biological Availability and Bioequivalence of medicines (Official Gazette of the Republic of Macedonia No. 68/04) were published, completely harmonized with the EU directives.

SHORT-TERM PRIORITIES

LEGISLATION

The Ministry of Health plans to introduce amendments and supplements to the Law on Medicinal Drugs, Supplementary Treatment Substances and Medical Devices in order to provide an appropriate legal framework for the following rulebooks: Rulebook on internal Guidelines, Rulebook on labelling of packaging, Rulebook on clinical trial, Rulebook on Good manufacturing practice, Rulebook on pharmacies, Rulebook implementing procedure for putting in circulation of medicinal drug, and renewal procedure, Rulebook on price forming.

INSTITUTIONS

The Ministry of Health - Bureau of Medicines is in need of employing 6 new staff members in 2006 for the realisation of planned activities and implementation of determined tasks.

MEDIUM - TERM PRIORITIES

LEGISLATION

The Ministry of Health - Bureau of Medicines plans to adopt the following by-laws: Rulebook on internal Guidelines, Rulebook on labelling of packaging, Rulebook on clinical trial, Rulebook on Good manufacturing practise, Rulebook on pharmacies, Rulebook implementing procedure for putting in circulation of medicinal drug, and renewal procedure, Rulebook on price forming.

MEDICAL PRODUCTS USED IN VETERINARY MEDICINE

CURRENT SITUATION

LEGAL FRAMEWORK

The current legal regulations in the area of medical products used in veterinary medicine are the following:

1. Law on Pharmaceutical Drugs, Supplementary Treatment Substances and Medical Devices (Official Gazette of the Republic of Macedonia No.21/98)
2. Law on Veterinary Health (Official Gazette of the Republic of Macedonia No. 28/98)
 - Rulebook on the manner of declaring adverse effects from the usage of medicinal drugs and incidents caused by medical devices, as well as the manner of their monitoring, collecting and registering (Official Gazette of the Republic of Macedonia, No. 39/2002)
 - Rulebook on the requirements to be met by legal persons performing wholesale trade in medicinal drugs, supplementary treatment substances and medical devices in the area of veterinary medicine, in terms of premises, equipment and human resources (Official Gazette of the Republic of Macedonia No. 39/2002).

INSTITUTIONS

The Veterinary Directorate within the Ministry of Agriculture, Forestry and Water Economy is competent in this area.

SHORT-TERM PRIORITIES

Within the "Structural and Legal Reforms of the MAFWE" project, veterinary component, a timetable has been prepared which foresees for all legal regulations in the area of veterinary medicine to be completed by the end of 2007:

1. Law on Veterinary Health
2. Law on veterinary medicinal drugs

MOTOR VEHICLES

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Road Transport Safety (Official Gazette of the Republic of Macedonia Nos. 14/98, 38/2002, 38/2004) and the Law on Road Transport (Official Gazette of the Republic of Macedonia No. 68/2004) compose the legal framework that is related to motor vehicles and transport.

Apart from these legal acts this matter is regulated with a number of bylaws such as:

- Rulebook on dimensions, total weight and axle load of vehicles and basic conditions for devices and equipment of road vehicles.
- Rulebook on technical inspection of motor vehicles and trailers as well as agricultural and forestry tractors (Official Journal of the Republic of Macedonia No. 28/1999)
- Rulebook on the conditions, manner and procedure of performing technical inspection of motor vehicles and trailers (Official Gazette of the Republic of Macedonia No. 68/1993)
- Rulebook on specific technical and exploitation conditions for vehicles performing specific types of road transport (Official Gazette of the Republic of Macedonia No. 2/1999 and No. 2/2001).

The Law on Road Transport Safety regulates the road traffic rules, system of road signalisation, obligations in case of road traffic accident, requirements for obtaining the right to use a vehicle, practical training of candidate drivers and taking a driver's exam,

performing technical inspection of vehicles and appliances and equipment in vehicles, dimensions, total mass and axis load of vehicles, requirements to be met by vehicles in traffic, specific safety measures, as well as organisation and tasks of councils for road traffic safety.

The Law on Road Transport Safety also regulates the conditions and manner of performing transport of passengers and goods in the internal and international road traffic.

INSTITUTIONAL FRAMEWORK

The relevant institution for transposition of EU measures in the area of motor vehicles is the Ministry of Transport and Communications. Other participant institutions are the following: Ministry of Economy, Ministry of Agriculture, Forestry and Water Economy, Ministry of Environment and Physical Planning and the Ministry of Interior.

The Ministry of Interior, in charge of the road traffic safety according to the Law on Road Transport Safety, covers the area of motor vehicles, i.e. their testing, registration and technical inspection.

The Ministry of Transport and Communications implements the Law on road transport and is in charge of transport in general.

SHORT-TERM PRIORITIES

LEGISLATION

A new Law on Road Transport Safety is in course of preparation. A Working sub-group within the Working Group for Free Movement of Goods has been established, and is in charge of elaborating a plan for transposition of EU measures in this area under a very precise timetable.

MEDIUM - TERM PRIORITIES

LEGISLATION

Completion of the legal framework in the area of motor vehicles.

TEXTILE AND FOOTWEAR

CURRENT SITUATION

LEGAL FRAMEWORK

The existing legislation in this area is the following:

Order for compulsory attestation of cotton (Official Gazette of the SFRY No. 4/79, 31/81) , Order for compulsory attestation of wool (Official Gazette of the SFRY No. 65/84) and Order on imported textile products for which a certificate of quality is necessary in order to be put in circulation (Official Gazette of the SFRY No. 21/78).

STRATEGIC PAPERS

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)

INSTITUTIONAL FRAMEWORK

The relevant Institution in this field is the Ministry of Economy – Sector for Industry.

SHORT-TERM PRIORITIES

The Strategy on the development of textile industry in the Republic of Macedonia shall be prepared in 2006.

The adoption of the following bylaws based on the Law on Product Safety is also planned for 2006:

3. Rulebook on Determining the Raw Composition and Textile Names
4. Rulebook on Selection of Methods for Quantitative Analysis of Two-Component Mixtures of Textile Fibres
5. Rulebook on Selection of Methods for Quantitative Analysis of Trinary Mixtures of Textile Fibres.
6. Rulebook on Labelling Materials used in the main components of footwear, sold to the consumers

GLASS AND WOOD

The legal framework for the adoption of bylaws in the area of glass and wood in the Republic of Macedonia shall be represented by the following legal regulations.

- Law on Construction Products
- Law on Product Safety

INSTITUTIONAL FRAMEWORK

The Ministry of Economy is competent for the adoption of regulations in the area of glass and wood.

SHORT-TERM PRIORITIES

- creation of working subgroups for glass and wood within the Working group on Free Movement of Goods.
- Conducting a training for the members in charge of preparing the bylaws

- Preparation of bylaws

MEDIUM - TERM PRIORITIES

- Amendment and harmonisation of the existing regulations in the field of glass and wood
- Preparation of bylaws concerning glass and wood

LEGISLATION

Completion of the legal framework in this area, and full implementation of EU measures regarding glass and wood.

INSTITUTIONS

The capacity of the Ministry of Economy shall be strengthened and horizontal cooperation among all the involved parties shall be established in order to implement the legal regulations in this field.

INSTITUTIONAL FRAMEWORK

The competent entity for completing the legal framework is the Ministry of Economy – Sector for Industry, in cooperation with all the involved parties.

3.1.4 NON-HARMONISED AREA (ARTICLES 28, 30)

PRINCIPLE OF MUTUAL RECOGNITION

SHORT-TERM PRIORITIES

LEGISLATION

The Law on Product Safety regulates the matter concerning the principles of mutual recognition. The Law generally defines that the Certificates and Certification Marks issued abroad in accordance with the international agreements concluded and ratified by the Republic of Macedonia, or accessed by it, are generally valid in the Republic of Macedonia. In case of an exception from the above, the Minister in charge of adopting technical regulations may recognize the Validity of Certificates and Certification Marks issued abroad under the conditions determined by this law.

In order to resolve the issues regarding technical barriers to trade, all of the technical regulations (harmonised and non-harmonised) that shall be adopted in the Republic of Macedonia after its accession in the European Union, shall be previously declared in the European Commission in accordance with the notification procedure which shall be determined by a specific regulation for whose adoption the Government of the Republic of Macedonia is in charge, according to article 32 of the Law on Product Safety.

The importance of Certificates and Certification Marks issued abroad is vital since the Republic of Macedonia does not have at its disposal all the necessary bodies for conformity assessment. Only by respecting certain certificates issued abroad shall it be possible to immediately implement the technical legislation harmonised with the relevant legislation valid in the Member States of the European Union. In this way there shall be a possibility to gradually include these branches of economy in the Common Market in which we shall have a harmonised technical legislation.

The Republic of Macedonia foresees to include clauses for mutual recognition in its legislation in order to harmonise it with articles 28, 30 of the TEU. Namely, it is foreseen for a screening of national legislation to be performed regarding the compatibility of these articles of the TEU, and to elaborate a list of conflicting regulations. This shall be followed by the preparation of a Programme for their withdrawal from use.

INSTITUTIONS

It is planned to introduce a special department by the end of 2007 within the Ministry of Economy, having as a basic task, to be a contact point concerning the notifications directive 31998L0034. It is also foreseen to provide at least one employee performing tasks and duties regarding 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. For this purpose in 2006, there shall be trainings for staff members in 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.

FIREARMS

CURRENT SITUATION

LEGAL FRAMEWORK

The Ministry of Interior, as a relevant institution for performing control over the requirements for production, circulation, supply, acquisition, possession and carrying weapons, parts of weapons and ammunition, prepared the Law on Weapons, which was adopted by the Assembly of the Republic of Macedonia on January 25, 2005.

With the adoption of the Law on Weapons (Official Gazette of the Republic of Macedonia No. 7/05), the Law on Acquisition, Possession and Carrying of Weapons (Official Gazette of the SRM Nos. 25/72, 30/72, 18/76, 25/76, 15/83 and 51/88 and Official Gazette of the RM Nos. 26/93 and 49/03) whose provisions were not sufficiently precise and did not correspond to international instruments and legislation of the countries of the European Union ceased being valid.

In the process of preparation of the Law on Weapons, the Directive of the European Union on acquisition and possession of weapons 31991L0477 was consistently implemented.

Also, during the elaboration of the text of this law, we have taken into consideration the European Convention on the control of the acquisition and possession of firearms by individuals of the Council of Europe, and the Recommendation P(84)23 of the Council of Europe concerning the harmonisation of national legislations in the area of firearms and establishes criteria for classification of firearms with comparative analysis of the solutions provided in the laws treating the same subject matter in several countries, among which: England, Italy, Germany, Switzerland, Czech Republic, Slovenia, Croatia and others.

The Law on Weapons regulates the conditions for acquisition, possession, carrying, storage, repair, circulation, transport and taking out of weapons and ammunition across the state border. An exception from the implementation of this law was foreseen concerning armament and military equipment, as well as weapons and ammunition intended for the needs of the Ministry of Defence, the Army of the Republic of Macedonia, the Ministry of Interior, penitentiary institutions and other state bodies and legal persons determined by special provisions.

- The adoption of several bylaws emerged as an obligation from the Law on Weapons. Rulebook on the forms for Weapons and ammunition and the manner of keeping records for Weapons and ammunition
- Rulebook on the Programme for training for proper use, storage and maintenance of Weapons, the manner of carrying out practical training for handling of Weapons, as well as the manner of carrying out professional examination for checking the technical knowledge for proper use of Weapons and insight into regulations on Weapons (Official Gazette of the Republic of Macedonia No. 83/05)
- Rulebook on minimum technical and safety requirements that should be met by the facilities for practical training for handling of weapons of legal persons (Official Gazette of the Republic of Macedonia No. 83/05)
- Rulebook on the type and manner of carrying out medical examination for determining the health condition for possessing and carrying weapons, the list of diseases and health conditions that make the person incapable for possessing and carrying weapons, as well as the manner and procedure for issuing medical certificate (Official Gazette of the Republic of Macedonia No. 98/05).

STRATEGIC DOCUMENTS

National Strategy on the Control of Small Arms and Light Weapons (SLW), and an Action Plan.

INSTITUTIONAL FRAMEWORK

Regarding the preparation and implementation of legal and bylaws the competence is vested in the Ministry of Interior.

A number of provisions in the aforementioned law foresee obligations for other entities, namely:

- The courts
- Social work centres (Article 10 paragraph 1)
- public health institutions (Article 11 par. 5)
- authorized legal persons for practical training for handling weapons (Article 14)
- Republic Institute for Protection of Cultural Monuments (Article 27 paragraph 3)
- 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)

The Ministry of Interior as a relevant body, shall:

- adopt a National catalogue of weapons and ammunition which may be possessed, produced or imported on the basis of an approval
- issue licenses for purchasing weapons, parts of weapons or ammunition
- issue licenses for weapons, permits for carrying weapons and permits for possessing weapons
- issue a certificate for possession of weapons
- issue licenses for production of weapons, ammunition or repair of weapons
- issue licenses for putting into circulation of weapons, parts of weapons or ammunition
- issue an approval for transport of Weapons and ammunition
- issue licenses for purchase and taking weapons and ammunition out of the Republic of Macedonia
- issue an approval for import of weapons and ammunition

- issue approval for import and export of weapons and ammunition by foreigners passing through the Republic of Macedonia
- approval for carrying hunting or sports weapons for the purpose of hunting or participation, that is preparation for shooting competitions in the Republic of Macedonia
- issue an approval for transfer of sports weapons
- issue an approval for transport of weapons and ammunition across the state border of the Republic of Macedonia;
- issue an approval for transport of weapons and ammunition across the territory of the Republic of Macedonia;
- issue an approval for establishing civil shooting grounds and
- maintain registers of issued approvals and licenses

The relevant institutions for the implementation of rulebooks adopted on the basis of the Law on weapons are the following: Ministry of Interior authorised legal persons for practical trainings for handling weapons, primary health care institutions performing the activities of labour medicine.

SHORT TERM PRIORITIES

LEGISLATION

According to the plans, the Law on amending the Law on Weapons (Official Gazette of the Republic of Macedonia No. 7/05) shall be adopted. It is planned to adopt a National catalogue of Weapons and ammunition which may be acquired, possessed, produced or imported on the basis of an approval.

According to the plans, the following Rulebooks shall be adopted:

- Rulebook on minimum technical and safety requirements that the facilities of the civil shooting grounds should meet.
- Rulebook on handing over, accepting, and keeping of the handed over weapons depending on the weapon category
- Rulebook on the manner for taking out weapons and ammunition across the state border
- Rulebook on minimum technical and safety requirements that should be met by the facilities in which production and repair will be carried out, trade and storage of weapons and ammunition.

It is also planned to introduce a Firearm Pass.

MEDIUM TERM PRIORITIES

LEGISLATION

Adoption of the Law on marking and labelling of Weapons, and preparation of a Rulebook on the forms for the approval of import of weapons and ammunition, and a European document for Weapons.

INSTITUTIONS

Determining a state institution to be competent and relevant for confirming that a certain weapon (not labelled by the producer stated in the National Catalogue) meets the requirements as B or C category weapon from the National Catalogue.

FREE MOVEMENT OF CULTURAL GOODS

CURRENT SITUATION

LEGAL FRAMEWORK

The issue of returning cultural goods unlawfully taken out of the territory of another state, and are on the territory of the Republic of Macedonia, is regulated in a single manner for all states including the EU Member States, with the Law on Protection of Cultural Heritage (Official Gazette of the Republic of Macedonia No. 20/04). The Law entered into force on 09.04.2004, and is being implemented as of 01.01.2005. It incorporates in a relevant manner the key provisions of the Directive 31993L0007 concerning the return of cultural objects unlawfully taken out of the territory of a Member State, as of March 15, 1993.

Regarding this subject matter, the Convention on measures for prohibition and prevention of illegal import, export and transfer of ownership of cultural goods, of November 14, 1970 is relevant (Official Gazette of the SFRY No. 50/73), as well as in case of armed conflict: the Convention on protection of Cultural goods in case of armed conflict and the First Protocol thereof (Official Gazette of the FNRJ No. 4/56) and the Second Protocol of the Hague Convention on protection of cultural goods in case of armed conflict (Official Gazette of the Republic of Macedonia No. 13/02).

The Member States of the European Union having ratified the above stated conventions and protocols, may exercise in Macedonia their right to return of cultural goods unlawfully taken out of their territory. This Member States of the EU may also exercise this right according to the Law on Protection of Cultural Heritage harmonised with the Directive 31993L0007.

The Macedonian law enables the return not only of cultural objects covered by the Directive 31993L0007, but it also covers a considerably wider spectrum of protected objects, which is also in accordance with the Directive providing the possibility of accepting wider obligations for the return of unlawfully taken cultural goods.

The matter covering import, export and taking out of cultural goods is also regulated with the Law on Protection of Cultural Heritage.

According to the Decision on classification of goods into forms of export and import, the export of goods of art, collections and antiquities falls under the "D" regime (based on previous approval or permit). The control of import, export and taking out of cultural objects is within the competence of the Customs Administration of the Republic of Macedonia, while the approvals for export and taking out of cultural goods are issued by the Directorate for protection of cultural heritage.

The Regulation EEC 31992R3911 concerning the export of cultural goods is implemented in this part of the law.

Furthermore, concerning the strategic document in this field, National Cultural Programme 2004-2008 was adopted and published in the Official Gazette of the Republic of Macedonia No. 31/04.

INSTITUTIONS

According to the Law on the Organisation and Operation of State Administrative Bodies (Official Gazette of the Republic of Macedonia No. 58/2000), the Ministry of Culture is the relevant state authority performing the activities concerning the implementation of the law.

According to the existing systematisation of work posts in the Ministry of Culture, the following organisational structure of human resources can be found:

- Sector for normative – administrative issues, copyrights and related rights
- Sector for protection of cultural heritage
- Directorate for protection of cultural heritage, a body within the Ministry of Culture with a capacity of a legal person. The Directorate became operational as of 10.05.2004. The Directorate has a total of 28 staff members.

SHORT TERM PRIORITIES

LEGISLATION

According to the plans, the adoption of the Law Amending the Law on Protection of Cultural Heritage is envisaged for the third quarter of 2007.

INSTITUTIONS

The Directorate for protection of Cultural Heritage plans to employ one lawyer.

MEDIUM TERM PRIORITIES

LEGISLATION

According to the plans, the amendment to the Law on Protection of Cultural Heritage is planned for the first quarter of 2007.

The part of the Law concerning the control over export and taking out of cultural goods shall incorporate the Directive 31996L100 of the European Parliament and Council of February 17, 1997 concerning the supplementing of the Annex to the Directive 31993L007 on the return of cultural goods unlawfully taken out of the territory of a Member State (31996L100) and the Directive 32001L038 of the European Parliament and Council of June 5, 2001 on the amendment of the Directive 31993L007. The Law shall provide a basis for adopting a by-law that would closely regulate the procedure and manner of exports and taking out of cultural goods and shall prescribe the forms for export or taking out of protected objects abroad.

The Law shall at the same time provide basis for the adoption of a by-law act that shall further precise some issues on the restitution of cultural goods.

INSTITUTIONS

According to the estimates, the Directorate for Protection of Cultural Heritage, a body within the Ministry of Culture shall employ one graduated lawyer.

INSTITUTION BUILDING REQUIREMENTS							
Budget No.	Institution	2006	2007	2008	2009	2010	Total
06001	Ministry of Interior – Department for Administrative and Supervisory matters – Unit for Weapons and Identification cards	0	0	0	0	0	0
06001Total		0	0	0	0	0	0
10001	Institute for Accreditation of the Republic of Macedonia	5	0	5	0	0	10
	Institute for Standardisation of the Republic of	12	6	4	0	0	22

	Macedonia						
	Ministry of Economy – Metrology Bureau	10	0	0	0	0	10
	Ministry of Economy – State Market Inspectorate	5	5	0	0	0	10
	Ministry of Economy – Sector for Industry	0	0	0	0	0	0
10001Total		32	11	9	0	0	52
13001	Ministry of Transport and Communications – Sector for Road Transport	0	0	0	0	0	0
13001Total		0	0	0	0	0	0
18001	Ministry of Culture – Directorate for Protection of Cultural Heritage	1	1	0	0	0	2
18001Total		1	1	0	0	0	2
19001	Ministry of Health – Bureau of Medicines	6	6	5	0	0	17
	Ministry of Health – State Sanitary and Health Inspectorate	0	0	0	0	0	0
	Ministry of Health, Ministry of Environment and Physical Planning – Information centre on chemicals poisoning (NEW)	10	10	0	0	0	20
19001Total		16	16	5	0	0	37
Total		49	28	14	0	0	91

3.2 FREEDOM OF MOVEMENT FOR WORKERS

3.2.1 ACCESS TO THE LABOUR MARKET

CURRENT SITUATION

LEGISLATION

The Law on Conditions for Establishing Labour Relation with Foreigners (Official Gazette of the Republic of Macedonia No. 12/93) defines the working-legal status of foreign citizens and persons who do not have citizenship (apatrides), who are employed and self-employed in the Republic of Macedonia. Foreign citizens and apatrides can be employed by an employer that is registered in the Republic of Macedonia, on the basis of a permit for commencement of employment, which is granted upon a submitted request for issuance of a permit for commencement of employment, as long as the general criteria determined by the law, the collective agreement and the general act have been fulfilled.

The Law on Conditions for Establishing Labour Relation with Foreigners is in line with the following EU measures: Council Regulation (EEC) No. 31968R1612 of 15 October 1968 on the Freedom of Movement for Workers within the Community, Council Regulation (EEC) No. 31992R2434(1) of 27 July 1992 amending Part II of the Regulation (EEC) No. 31968R1612 on the Freedom of Movement for Workers within the Community and the Directive of the European Parliament and the Council No. 32004L038 from 29 April 2004, amending Council Regulation (EEC) No. 31968R1612 and repealing directives 31964L221, 31968L360, 31972L194, 31973L148, 31973L148, 31975L035, 31990L364, 31990L365 and 31993L096 on the Rights of EU Citizens and their Family Members to move and reside freely within the territory of the Member States.

The rights and obligations of the asylum seekers and the social protection services are regulated with the Law on Asylum and Temporary Protection (Official Gazette of the Republic of Macedonia No. 49/03). Particular articles of the Law on Asylum and Temporary Protection contain provisions on the working-legal status of the persons with recognized refugee status who are regarded identical to the foreign citizens with permanent residence permit and the persons under temporary protection who are regarded identical to the foreign citizens holding a temporary residence permit. The persons with recognized refugee status and the persons under temporary protection can be employed by an employer that is registered in the Republic of Macedonia, on the basis of a Permit for commencement of employment, which is granted upon a submitted request for issuance of a Permit for commencement of employment as long as the general criteria determined by the law, the collective agreement and the general act have been fulfilled.

In Accordance with the Law on Civil Servants (Official Gazette of the Republic of Macedonia No. 59/2000, 112/2000, 34/2001, 43/2002, 98/2002, 17/2003, 40/2003, 85/2003, 17/2004, 69/2004 and 81/2005), it is accepted that the restrictive concept is applied for the state administration in the Republic of Macedonia, which covers the civil servants that perform activities directly related to state functioning, i.e. they have the competence and legal authorization to undertake public duty, to propose policies and regulatory instruments or to advise on similar issues, to enforce the laws and to decide on the rights and interests of the citizens and the legal entities. The employees in the three branches of government: the legislative, the judicial, the executive, as well as the administration in the other state bodies and the municipal administration are all covered under the term: state administration.

All the employees in the state administration in addition to the administration in the other state bodies and the municipal administration, have the status of civil servants in the Republic of Macedonia and as such they must meet the general and basic criterion, contained in the Law on Civil Servants, which is that they must be citizens of the Republic of Macedonia.

For the other employees in the public administration, in the areas of education, healthcare, culture, science and the social fields, as well as the employees in the state bodies and organs of the three branches of government who do not have status of civil servants (assisting personnel) the general regulations of the labour legislation, i.e. the Law on Labour Relations, is applied.

In addition to the Law on Labour Relations (Official Gazette of the Republic of Macedonia No. 62 / 2005), the issue with the employment of foreign citizens shall also be regulated with a new Law on Employment and Work of Foreigners.

INSTITUTIONS

The Law on Conditions for Establishing Labour Relation with Foreigners and the Law on Asylum and Temporary Protection in the field of employment of persons with a recognized refugee status and the persons under temporary protection are being implemented by the Employment Agency of the Republic of Macedonia.

SHORT-TERM PRIORITIES

LEGISLATION

The new Law on Employment and work of Foreigners is being drafted. This Law shall be compliant with Article 39 from the EC Treaty, i.e. with the Regulation of the European Union (Regulation (EEC) No. 31968R1612 of 15 October 1968 amended by the

new Directive 32004L038 on the Freedom of Movement for Workers.) The Law on employment and work of Foreigners shall be in line with the new Law on Foreigners, which is also in an adoption procedure. Participation in the EURES system, meant for promotion of free movement of workers through exchange of information for employment possibilities, is planned. Moreover, it is planned to establish a data base in the Republic of Macedonia, containing general information about the labour market and the employment conditions. In order for the system to become functional, intensive training for the personnel will be organized.

MEDIUM-TERM PRIORITIES

LEGISLATION

It shall be approached to the adequate changing of the Law on Asylum and Temporary Protection in the direction of approximation of the Directive 32003L009 of 27 January 2003 laying down the Minimum standards for the reception of asylum seekers and Directive 32003L086 of 22 September 2003 on the Right to Family Reunification.

3.2.2 COORDINATION OF THE SOCIAL SECURITY SYSTEM

CURRENT SITUATION

LEGISLATION

The constitutional basis for providing social security to the citizens of the Republic of Macedonia is established by Article 34 from the Constitution of the Republic of Macedonia, according to which the citizens of the Republic of Macedonia are entitled to social security and social insurance determined by law and collective agreement.

The Pension system in the Republic of Macedonia is regulated by the Law on Pension and Disability Insurance (Official Gazette of the Republic of Macedonia No. 80/93, 3/94, 14/95, 32/96, 24/00, 96/00, 5/01, 50/01, 85/03, 40/04, 4/05 and 101/05), the Law on Compulsory Capital Funded Pension Insurance (Official Gazette of the Republic of Macedonia No.29/02,85/03, 40/04 and 113/05) and the bylaws defining this field.

The insurance in the case of unemployment is regulated by the Law on Employment and Insurance in the case of Unemployment (Official Gazette of the Republic of Macedonia No. 37/97, 25/2000, 101/2000, 50/2001, 25/2003, 37/2004, 4/2005) and the bylaw defining the field: The Rulebook on Training, Retraining and Additional training of Unemployed and Other Persons (Official Gazette of the Republic of Macedonia No. 30/2003, 24/2005).

The compulsory healthcare insurance in the Republic of Macedonia is regulated by the Law on Healthcare Insurance (Official Gazette of the Republic of Macedonia No. 25/2000; No. 34/2000; 96/2000; 50/2001; 11/2002; 31/2003; 84/2005) regulating the relations in the healthcare insurance in the case of pregnancy and childbirth and in the case of injury at the work place or an occupational disease.

The system, organization and manner of providing the right to child benefit in the Republic of Macedonia are contained in the provisions of the Law on Child Protection (Official Gazette of the Republic of Macedonia No. 98/00, 17/03, 65/04). Foreign citizens residing on the territory of the Republic of Macedonia are entitled to a child benefit in accordance to this law.

In addition to the national legislation in the field of pensions, healthcare insurance, insurance in the case of unemployment and family benefits, for regulating the issues from the aspect of coordination of social insurance, the Republic of Macedonia concludes international bilateral agreements for social security, regulating the following areas: pension and disability insurance, healthcare insurance, insurance in the case of unemployment and child benefit.

The national legislation and the concluded bilateral international agreements have been aligned with the ratified international agreements, in particular: the European Social Charter¹ and the Convention No. 102 concerning minimum norms of social security.

The majority of the international agreements concluded by the Republic of Macedonia are in line with the Regulation (EEC) No. 31408R071 of 14 June 1971 on the Application of Social Security Schemes to employed persons and their families moving within the Community.

The basic principle for concluding the bilateral international agreements is that each the persons employed or physical entities performing activity on the territory of the Republic of Macedonia are equal with the domestic persons regarding their rights and obligations according to the national regulations on social security.

The concluded bilateral international agreements are applicable to all the persons regardless of their citizenship as well as persons whose rights are resulting from these agreements.

¹ The following articles have been ratified: 1, 2, 5, 6, 7, 8, 11 12, 15, 17 и 19

The Republic of Macedonia has concluded bilateral international agreements with the following countries:

- with the Republic of Croatia, an agreement which entered into force on 01.11.1997 ("Official Gazette of the Republic of Macedonia No. 34/94);
- with the Republic of Austria, an agreement which entered into force on 01.04.1998 (Official Gazette of the Republic of Macedonia No. 28/97);
- with Turkey, an agreement which entered into force on 01.07.2000 (Official Gazette of the Republic of Macedonia No. 7/99);
- with the Republic of Slovenia, an agreement which entered into force on 01.04.2001 (Official Gazette of the Republic of Macedonia No. 13/99);
- with the Swiss Confederation, an agreement which entered into force on 01.01.2002 (Official Gazette of the Republic of Macedonia No. 44/00);
- with SR Yugoslavia, an agreement which entered into force on 01.04.2002 (Official Gazette of the Republic of Macedonia No. 13/02);
- with the Republic of Bulgaria, an agreement which entered into force on 01.08.2003 (Official Gazette of the Republic of Macedonia No. 31/03);
- with the Federal Republic of Germany, an agreement which entered into force on 01.01.2005 (Official Gazette of the Republic of Macedonia No. 70/03).

Having regard to the contents of the bilateral international agreements which the Republic of Macedonia has signed with these countries from the aspect of the application of the Regulation 1408/71 no impediments are expected in its implementation. Moreover, the concluded bilateral international agreements are in compliance with the following principles:

- application of the national legislation of the country where the person is engaged in professional activity (*lex loci laboris*);
- collection of periods completed in the Republic of Macedonia and the foreign country;
- avoidance of overlapping of completed periods of insurance;
- equal treatment for both foreign and domestic policy holders;
- payment of the acquired rights on the territory on another state – contracting party without limits of the amount.

INSTITUTIONAL FRAMEWORK

The competent institutions in the field of pension and disability insurance are as follows: the Ministry of Labour and Social Policy, the Pension and Disability Insurance Fund of the Republic of Macedonia and the Agency for Supervision of Fully Funded Pension Insurance.

The competent institutions in the field of healthcare insurance are as follows: the Ministry of Health and the Healthcare Fund of the Republic of Macedonia.

The competent institutions in the field of insurance in the case of unemployment are as follows: the Ministry of Labour and Social Policy and the Employment Agency of the Republic of Macedonia.

The competent institutions for the rights to child care are the Ministry of Labour and Social Policy and the Social Work Centres.

The institutions competent for the ratification of the international bilateral agreements for social security are the Pension and Disability Insurance Fund of the Republic of Macedonia, the Healthcare Fund of the Republic of Macedonia and the Employment Agency of the Republic of Macedonia, which have the role of contact points.

The Decision of the Government of the Republic of Macedonia on the establishment of a Commission for bilateral cooperation in the field of social insurance (Official Gazette of the Republic of Macedonia No. 4/2004) resulted with the establishment of a Commission for bilateral cooperation in the field of social insurance which was aimed at administering the activities related to bilateral agreements for social insurance which would provide a coordinated approach of the state bodies that are competent for regulating the issues governed by these international agreements.

SHORT-TERM PRIORITIES

Activities for entering into force of international bilateral agreements for social security, which are in a signing or ratification procedure with the following countries: Czech Republic, Romania, Denmark, Bosnia and Herzegovina and the Netherlands. In 2006, the Republic of Macedonia shall design a plan for construction and development of administrative capacity in the Ministry of Labour and Social Policy and the Ministry of Health for conducting the regulations of the Community for coordination of the social security systems. Furthermore, approximation of the legislation of the European Union with the Law on Child Protection is planned.

MEDIUM-TERM PRIORITIES

Activities on initiatives for commencing, continuing and negotiating for concluding international bilateral agreements for social security with countries Macedonia has not signed an agreement with, in particular: Belgium, Northern Ireland, Italy, Hungary and Norway.

LEGISLATION

The priority in the field of pension security is continuation of the reforms, and above all approximation of the legislation by adoption of the Law on Voluntary Fully Funded Pension Insurance and the Law on Payment of Pensions, which shall be aligned with the EU legislation. Namely, in accordance with Article 149 referred to in the Law on Pension and Disability Insurance of a pension beneficiary – foreign citizen who shall move for permanent residence in the country of his/her citizenship, the pension shall be paid abroad if there is an international agreement with that country for payment of pensions abroad, or if reciprocity exists.

For the purpose of approximation with the Regulation (EEC) No. 31971R1408 of 1971 June 31972R0574 on the Application of Social Security Schemes to employed persons and their families moving within the Community, the Law on Pension and Disability Insurance shall be changed and amended regarding: the minimum pension, redefining of disability by prioritizing professional rehabilitation as a preventive measure, and the right to reassignment to another job post and part-time work are to be transferred to the competencies of the employer. Moreover, approximation will be done by following the example of the legislation of European countries regarding the controlled review of disability pension beneficiaries, in the aspect of medical indications and the longer length of service for workers working at hazardous job posts.

For the purpose of alignment with the Council Directive 31998L049 of 29 June 1998 on safeguarding the supplementary pension rights of employed and self-employed persons moving in the Community, conditions will be created for introducing supplementary pension, i.e. enabling a person to have a continuous insurance.

In the Republic of Macedonia it is planned that a bylaw is adopted for the purpose of determining the legal and technical framework for introducing a national healthcare insurance card (appearance, form, content, and manner of using instructions) which would replace the medical booklet.

Practical revitalization of voluntary supplemental healthcare insurance, in accordance with the Health Insurance Law and the Law on Insurance, and for the purpose of covering the expenses for the medical services which are not covered by the mandatory healthcare insurance.

INSTITUTIONS

With the adoption of the Law on Voluntary Fully Funded Pension Insurance and the Law on Payment of Pensions, the competent institutions for implementation shall be determined.

It is planned to develop the administrative capacity for full application of Regulations 31971R1408 and 31972R0574 in the fields of social security and staffing of 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.

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total
15001	Agency for Supervision of Fully Funded Pension Insurance	10	0	0	0	0	10
	Ministry of Labour and Social Policy – Sector for Pension and Disability Insurance	0	7	0	0	0	7
	Ministry of Labour and Social Policy - Sector for Labour	0	1	0	0	0	1
	Ministry of Labour and Social Policy – Sector for Children Protection	0	1	1	0	0	2
15001 Total		10	9	1	0	0	20
Total		10	9	1	0	0	20

3.3 RIGHT OF ESTABLISHMENT AND FREEDOM TO PROVIDE SERVICES

3.3.1 RIGHT TO ESTABLISHMENT

CURRENT SITUATION

The services in the Republic of Macedonia are provided through undertaking commercial activity by establishing a company or a branch office, through craftsmanship by establishing a co-operative, through performance of self employed / freelance activities as a lawyer, public notary, doctor or other professions. Services are provided in accordance with the conditions determined by the laws pertaining to the performance of a certain activity: Law on Agricultural Operations (Official Gazette of the Republic of Macedonia, No. 11/02 and 7/03); Law on Craftsmanship (Official Gazette of the Republic of Macedonia, No. 62/04); Law on the Bar (Official Gazette of the Republic of Macedonia, No. 59/02 and 10/03); Law on Performing Notary Activities (Official Gazette of the Republic of Macedonia, No. 59/96, 25/98, 50/98, 37/99, 6/02, 59/02); Law on Health Care (Official Gazette of the Republic of Macedonia, No. 38/91, 73/92, 46/93, 55/95, 17/97, 21/98, 9/00, 25/00, 10/04, 47/04, 84/05), Law on Audit (Official Gazette of the Republic of Macedonia, No. 79/05) and other laws determining the conditions for providing certain services.

Services are also provided as public services of public interest (public service) by establishing an institution according to the conditions regulated by the Law on Institutions (Official Gazette of the Republic of Macedonia, No. 32/05) and as a public service performed by a natural person as a professional activity in a manner and under the conditions determined by the Law on Institutions and the laws regulating the performance of a certain non-commercial activity.

3.3.2 FREEDOM TO PROVIDE CROSS-BORDER SERVICES

HORIZONTAL REGIME

CURRENT SITUATION

The legal and administrative requirements for all the companies or institutions that intent to undertake activity as commercial activity or as public service in or with the Republic of Macedonia are equal for all the companies and institutions and are regulated by the Company Law (Official Gazette of the Republic of Macedonia No. 28/04 and 84/05) and the Law on Institutions (Official Gazette of the Republic of Macedonia No. 32/05).

In the Republic of Macedonia the establishment of companies, branches, or subsidiaries is prescribed by the Company Law (Official Gazette of the Republic of Macedonia No. 28/04 and 84/05). According to the Company Law, natural persons engaged in agricultural or forestry activities (individual farmers), shall not be considered as traders unless their activity is defined as a business activity in accordance with the Company Law (Article 4, paragraph 1), craftsmen and natural persons who provide services, unless their activity is defined as a business activity in accordance with this law, natural persons who render hotel or restaurant services and rent rooms in their own places of residence as well as natural persons engaged in self employed/freelance activities (lawyers, notaries, doctors etc.) shall not be considered as commercial entities. Natural persons providing public service in an institution according to the Law on Institutions or natural persons undertaking professional activity in a manner and under conditions determined by the Law on Institutions are not classified as commercial entities.

According to the Company Law, services are determined as commercial activities that can be performed independently as a profession by any entity which in accordance with the Company Law has the status of a commercial entity as a natural person or legal entity. The conditions for establishment of companies, acquiring a status of a sole proprietor, establishment of branches of foreign legal entities and foreign legal entities are regulated by the Company Law. The performance of certain financial services (trading with securities, funds management, banking and exchange services, insurance and other financial services), transport of persons and goods, leasing, intellectual services and other, are governed by the laws pertaining to the performance of such services. These services can be performed under equal conditions by both domestic and foreign entities, as stipulated in the: Law on Securities (Official Gazette of the Republic of Macedonia, No. 95/05); Law on Investment Funds (Official Gazette of the Republic of Macedonia, No. 9/00); the Banking Law (Official Gazette of the Republic of Macedonia, No. 63/00, 103/00, 41/02, 70/01, 37/02, 41/02, 32/03, 51/03, 85/03, 83/04); the Law on Leasing (Official Gazette of the Republic of Macedonia, No. 4/02, 49/03) and the Law on Supervision of Insurance (Official Gazette of the Republic of Macedonia, No. 27/02, 84/02, 98/02 and 33/04).

In the narrative section 4.9 relating to Financial Services, the provision of services from the banking, insurance and the capital market sectors is elaborated.

A company can be established under equal conditions by domestic or foreign natural entity. A foreign entity can acquire shares or stocks in an already established company. The participation of a foreign entity in a start-up company or an established company is not limited, apart in exceptional cases when it is not otherwise regulated by a law. A company founded by a foreign entity or with foreign participation is equal in all rights and obligations with companies without foreign participation.

According to the Law, such as the Profit Tax Law (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 and 51/03) and the Customs Law (Official Gazette of the Republic of Macedonia No. 39/05) for the foreign citizens privileges and special benefits can be determined (exemption from profit tax payment and exemption from customs duty payment) for investing and management for the purpose of performing services categorized as commercial activity.

In the Company Law the Republic of Macedonia has accepted the most modern normative solution according to which a foreign company and a foreign sole proprietor can perform services classified as commercial activity on the territory of the Republic of Macedonia without having to establish a company, i.e. to acquire the status of a sole proprietor. The foreign company or the sole proprietor can provide services performed as trade activity through establishing a branch office or a representative office as their organizational units or in an alternate manner to carry out all activities (provide services), acquire and assume liabilities and exercise its rights before the courts and other bodies in the Republic of Macedonia. With this legal possibility the foreign companies and foreign sole proprietors are equal with the domestic natural and legal entities regarding the provision of services. Exceptions are only particular types or services for which by international agreements or laws it is determined that they can only be performed solely if a company is established. When establishing a branch office, no special or new requirements apply. The conditions that the foreign trading company has fulfilled in the country of registration are taken into consideration.

A foreign company, i.e. a sole proprietor can set up a branch office following their own decision. A foreign company can open up one or several branch offices, while a foreign sole proprietor can only open up to one branch office.

Foreign companies whose form is not regulated by the Company Law can perform services on the territory of the Republic of Macedonia thorough setting up their branch office. The provisions of the Company Law pertaining to companies with the most closely related form apply to these companies. In the case when a foreign company can not be classified under any form of company defined by the Company Law, the provisions governing the joint stock company shall respectively apply.

The legal and business capacity (the legal status) of a foreign company (its branch office) shall be determined pursuant to the laws of the state to which the company is attributed.

For the purpose of providing equal conditions to all business entities on the market, a foreign company's business capacity may not be greater, and its liability may not be lower than the one recognized, or imposed by the legal regulations of the Republic of Macedonia, to domestic companies of the same or similar form and scope of operations nor may the foreign company with regard to the legal transactions it has been or will be a party to in the Republic of Macedonia, refer to its incapacity if a domestic company, of the same or similar form and scope of operations, may not refer to such incapacity

The legal existence and the scope of its legal capacity in the case of doubt or challenge shall be proven by the foreign company. The foreign company shall operate in the Republic of Macedonia pursuant to the laws of the Republic of Macedonia. The foreign company, the branch office of which is registered in the commercial register of the Republic of Macedonia, shall be deemed, regarding the transactions it has been or will be a party to in the Republic of Macedonia, to have the legal and business capacity of a domestic legal person of the same or similar form and scope of operations, notwithstanding that, pursuant to the laws of the state to which it is attributed, it would not have existed in such manner or would not have had such business capacity.

The branch office shall act in legal transactions in the name and on behalf of the foreign company i.e. the foreign sole proprietor, and shall make reference to such foreign company's or foreign sole proprietor's business name, and registered office as well as the name of the branch office.

The foreign company or the foreign sole proprietor shall be liable with its entire property for the liabilities incurred during the operation of the branch office.

The foreign company or the foreign sole proprietor shall appoint one or more representatives for its branch office(s), which shall, with respect to that branch office, represent the operations of the foreign company or foreign sole proprietor in the Republic of Macedonia.

The foreign company (its branch office), according to its form and scope of operations, and the foreign sole proprietor, shall be obliged to maintain trade books for his/its operations in the Republic of Macedonia through his/its branch office. The branch office of the foreign company and the foreign sole proprietor shall disclose each year in the commercial register or other appropriate register, the annual accounts, the audit report and the notes pertaining to recorded data in the register, which were changed, pursuant to administration, or bankruptcy reorganisation proceedings or other notes, which are relevant to the financial situation of the foreign company or the foreign sole proprietor in accordance with Directive 31989L0666.

Services are also provided as public services of public interest (public service) by establishing an institution according to the conditions regulated by the Law on Institutions. A public service can be performed by a natural person as a professional activity in a manner and under the conditions determined by the Law on Institutions and the laws regulating the performing of a certain

non-commercial activity. According to the regulations, the activity of public service can only be performed on the basis of a license for undertaking that activity.

The performing of an activity or certain aspects of the activity is regulated by separate laws, according to the type and nature of the activity by which the type of institution is determined, in education (primary, secondary and tertiary), science, culture, health care, social protection, child protection, protection of persons with intellectual or physical development impediments, as well as other activities determined by law as a public service (Law on Culture (Official Gazette of the Republic of Macedonia, No. 31/98, 28/99, 49/03, 66/03, 82/05), Law on Social Protection (Official Gazette of the Republic of Macedonia, No. 50/97, 16/00, 17/03, 65/04, 62/05)).

The provisions of the Law on institutions have subsidiary application and are applied if some of the particular laws (*lex specialis*) do not regulate the specific issue differently.

An institution can perform one or more public services determined by law. The activities of public institutions can be performed by a domestic or a foreign natural or legal entity with the funds in private property for activities whose performance is allowed by law. Pursuant to the Law on Higher Education, a foreign higher education institution can, upon the opinion of the Accreditation Board followed by an approval from the Government of the Republic of Macedonia, perform higher education activity in a foreign language, according to the conditions under which it performs the activity in the country of origin.

A foreign company entitled to carry out commercial activities pursuant to its national legislation may establish a commercial representative office in the Republic of Macedonia. The manner, registration procedure and the body authorised to register the entry of the representative offices are prescribed by the Regulation on the manner, registration procedure and the body authorised to register the entry of the representative offices of foreign companies in the Republic of Macedonia. (Official Gazette of the Republic of Macedonia No. 78/05)

Trade companies, sole proprietors and branches of a foreign company or foreign sole proprietor are registered in the commercial registry which according to the Law on the One-stop-shop System and maintaining trade registry and registry of other legal persons ("Official Gazette of the Republic of Macedonia" No. 84/05) are kept by the Central Registry of the Republic of Macedonia. This issue has been elaborated in more details in chapter 4.6 referring to Company Law.

TRADE REPRESENTATION

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on obligations (Official Gazette of the Republic of Macedonia No. 18/01) regulates the basis of obligations, the contractual and other obligations in the legal transactions regarding goods and services. Participants in the obligations can be both natural and legal persons. Participants in the legal transactions freely determine the obligations in accordance with the Constitution, laws and best practice. The participants in the obligations are equal. When establishing obligation and realizing rights and obligations from those obligations, the participants are obliged to observe the principles of due diligence and honesty.

The relations resulting from the legal transactions regarding goods and services are governed by the Law on obligations. These are relations resulting from the will of the parties, i.e. contractual obligations' relations – contracts, relations resulting from damage and other obligations' relations comprising the dynamics of the civil law.

Trade representation

The provisions of the Law on Obligations referring to the Contract for trade representation (from Article 846 – to Article 868) have been aligned with Council Directive 31986L0653 of 18 December 1986 on the coordination of the laws of the Member States relating to self-employed commercial agents.

MEDIUM-TERM PRIORITIES

In the forthcoming period in terms of medium-term planning the Republic of Macedonia shall make efforts for further alignment with the Acquis in the direction of removing barriers to providing cross-border services by natural persons and legal entities from the European Union.

3.3.3 POSTAL SERVICES

CURRENT SITUATION

LEGAL FRAMEWORK

Law on Postal Services (Official Gazette of the Republic of Macedonia No. 55/02)

The Law on Postal Services prescribes the field of postal traffic and performing postal services in the domestic and international postal traffic, regulates the relations between the users and providers of postal services, the issuance of postal stamps and postal

valuables, as well as other issues related to the provision of postal services. The Law on Postal Services has been drafted on the basis of Directive 31997L0067 of the European Parliament and of the Council on common rules for the development of the internal market in Community postal services and the improvement of quality of service.

Rulebook on the General Terms for Postal Services (Official Gazette of the Republic of Macedonia No. 18/05)

The Rulebook was adopted on the grounds of the Law on Postal Service, which among other - regulates the types of postal services (regular postal parcels, letter-post items, direct mail, registered mail, valuable postal parcels, etc.), special postal services, supplemental postal services; reception, delivery and transfer of postal parcels, deadlines for delivery of postal parcels, complaints and so forth.

Rulebook on Postal Services Nomenclature (Official Gazette of the Republic of Macedonia No. 18/05)

The Rulebook on Postal Services Nomenclature regulates the types of postal services, the scale of weight of the postal parcels and certain issues from the treasury services and the ratio of the prices for certain types of postal services in the internal and international postal traffic. The weight and size limit of the postal parcels in the international postal traffic are determined by the Universal Postal Convention and the Postal Parcels Arrangement, and the limit for parcels with marked value, parcels and orders are determined by bilateral agreements with the particular countries.

Rulebook Laying Down the Areas of the Network Units of the Basic Postal Operator for Providing Universal Service (Official Gazette of the Republic of Macedonia No. 18/05)

This Rulebook lays down the areas of the network units of the basic postal operator for providing universal service. The postal network is organized in such a manner so that each part of the Republic of Macedonia is covered. The postal network is composed of: post offices, post centres, special organizational units of the post offices and postal centres, as well as the means for the postal network. The area of postal network units represents a geographically-designated area where reception and delivery of postal parcels is performed.

Rulebook Determining the Amount of Compensation for Issued License for Providing Courier Services (Official Gazette of the Republic of Macedonia No. 18/05)

This Rulebook regulates the amount of compensation for issued license for providing courier services.

STRATEGIC DOCUMENTS

The Law on Postal Service provides for the adoption of a Strategy for Postal Services Development which shall determine further development of the postal network and consistent implementation of the principles and orientation of the Universal Postal Union, the European Union and the World Trade Organization, as well as the international obligations that the Republic of Macedonia has undertaken in the field of postal services.

INSTITUTIONAL FRAMEWORK

The Ministry of Transport and Communications and the Public enterprise for postal traffic "Makedonska posta" are the institutions in charge of the implementation of the subjects relating to the postal traffic.

The Ministry of Transport and Communications is the authorised state 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. In accordance with the Law on Postal Services, the Ministry of Transport and Communications simultaneously performs the function of a regulatory body in the field of postal traffic. Within the framework of the Ministry, in the Sector for Communications - Unit for postal traffic, the activities in this field are performed by 2 experts employed full-time, however in accordance with the Act for systemization of the posts in this unit three employees are envisaged. The inspections in the postal traffic are performed in the framework the **State Transport Inspectorate**, as a body within the structures of the Ministry, and the entire activity is performed by one inspector.

The Public Enterprise for postal traffic "Makedonska posta" is the competent public operator for performing the activities in the internal and international postal traffic, including the universal postal services. The Public Enterprise for postal traffic "Makedonska Posta" has a total of 2550 employees.

Within the framework of the Phare programme: Multi Country Programme for Telecommunications and Posts, experts from the Ministry of Transport and Communications and the Public Enterprise for postal traffic "Makedonska Posta" have been trained through multiple projects related to topics from the legislative framework and the current activity of the public postal operator.

SHORT-TERM PRIORITIES

Envisaged strengthening of the legal framework:

- Activities related to the preparation of the Strategy for development of the postal services. The adoption of the Strategy for postal services is envisaged for the second quarter of 2007.

- Commencement of the drafting of the Law Amending the Law on Postal Services (Official Gazette of the Republic of Macedonia No. 55/02). By 31 December 2007 the Law Amending the Law on Postal Services (Official Gazette of the Republic of Macedonia No. 55/02) is expected to be adopted, whereby the Directive 32002L0039 of the European Parliament and of the Council of 10 June 2002 on the further opening to competition of Community postal services shall be transposed, and therefore gradual and controlled liberalization of the postal services market will be accomplished through providing conditions for performing universal postal service and establishment of an independent regulatory body to regulate the relations in the postal sector. The increased competition in providing postal services by more operators shall provide a higher quality and better accessibility to the end-users by using alternative methods of communication.
- Six months after the enactment of the Law Amending the Law on Postal Services (Official Gazette of the Republic of Macedonia No. 55/02) the existing bylaws also shall be amended. The amendments shall be done in accordance with the text of the Law as well as the Directive 32002L0039.

Projected strengthening of the institutions:

On the basis of the current systemization, according to the plans for 2006 one new post will be opened up at the Ministry of Transport and Communications – the Unit for postal traffic.

In the second half of 2006 it is necessary to provide experts from the European Commission, the Universal Postal Union and a Member State from the European Union (on a bilateral basis) that will work jointly with representatives from the Ministry of Transport and Communications and the Public Enterprise “Makedonska Posta” on the preparation of the Strategy as well as the initial activities for the drafting of the Law Amending the Law on Postal Services (Official Gazette of the Republic of Macedonia No. 55/02).

MEDIUM-TERM PRIORITIES INSTITUTIONS

According to plans in 2008 an Independent regulatory body for postal services is to be established, with the possibility for the functions of the regulatory body to be transferred to another existing regulator.

It is envisaged to employ 8 employees in the independent regulatory body for postal services.

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total
13001	Ministry of Transport and Communications – Sector for Communications, Unit for postal services	1	0	0	0	0	1
	NEW: Ministry of Transport and Communications – National regulatory Authority (NRA)	0	0	6	2	0	8
13001 Total		1	0	6	2	0	9
Total		1	0	6	2	0	9

3.3.4 MUTUAL RECOGNITION OF PROFESSIONAL QUALIFICATIONS

CURRENT SITUATION

LEGAL FRAMEWORK

With the **Law on Primary Education** (Official Gazette of the Republic of Macedonia, No. 44/95, 24/96, 34/96, 35/97 82/99, 29/02, 40/03, 42/03, 63/04) and the **Law on Secondary Education** (Official Gazette of the Republic of Macedonia, No. 44/95, 24/96, 34/96, 35/97 82/99, 29/02, 40/03, 42/03, 67/04) a foreign citizen is entitled to request validation or recognition of an equivalent of certificate acquired abroad, which will enable recognition of an adequate level of education. Validation shall mean the recognition of a certificate acquired abroad, and equivalent shall mean the levelling of the certificate acquired abroad with a certificate acquired in the Republic of Macedonia. According to the Law on Primary Education and the Law on Secondary Education, the validation i.e. recognition of an equivalent of a certificate acquired abroad shall be done by the Ministry of Education and Science through a special commission formed by the Minister.

In the higher education, the recognition of professional qualifications acquired abroad is regulated by the Law on Higher Education (Official Gazette of the Republic of Macedonia No. 64/00 and 49/03) whereby the general legal framework is taken from the ratified Lisbon Declaration for recognition of professional qualifications of the Council of Europe on 11 April 1997, as well as the existing legislation of the European Union from this field. Pursuant to the Law on Higher Education, recognition of the higher education qualifications or part of the higher education studies acquired abroad shall mean recognition of diplomas and other

documents issued by foreign higher education institutions or accredited i.e. authorized bodies of the particular country. Furthermore to recognizing the equality, the equal legal force with the adequate qualifications or part of the higher education studies acquired in the Republic of Macedonia is also recognized. The Law distinguishes between academic and professional recognition. With academic recognition, one can realize the right to access to the higher education institutions of the Republic of Macedonia i.e. the possibility to continue with the higher education studies for acquiring a higher education qualification, or recognition of a completed higher education qualification for academic purposes, in particular - registration for postgraduate studies or doctoral studies. With the professional recognition of higher education qualification, one is entitled to performing professional activity in the Republic of Macedonia. This procedure is in compliance with the legislation of the European Union, which distinguishes between academic and professional recognition. With the partial recognition, only a part of the higher education studies successfully acquired abroad is recognized.

The Law on Higher Education provides for the procedure and the competent bodies for recognition of foreign higher education qualifications. In accordance with this law, there is an Information Centre at the Ministry of Education and Science which among other things, determines the whether the formal-legal criteria for recognition of a foreign higher education qualification have been met. The recognition itself is done by a Commission formed by the academic and scientific staff at the corresponding state higher education institution, which prepares a decision for recognition, which is submitted to the Ministry of Education and Science. The Minister of Education approves whether the legal criteria have been met, and accordingly signs the decision for recognition. The law provides for enforcing the concluded bilateral agreements for mutual recognition of diplomas by the Ministry of Education and Science, under the conditions determined in the bilateral agreement. The Republic of Macedonia has concluded bilateral agreements with the Republic of Bulgaria, the Republic of Albania and the Republic of Turkey; the enforcement of these agreements is conducted by an expert commission formed upon the decision of the Minister. Following the proposal by the expert commission, the Minister competent for the higher education signs the decision for validation of the recognized higher education qualifications or part of the higher education studies acquired abroad, in accordance with bilateral agreements.

STRATEGIC DOCUMENTS

Ongoing is the drafting of the National Framework for Qualifications determining the objectives and starting points for outlining the curriculum and the expectations from the students, their understanding, i.e. the ability to understand throughout all the cycles of the higher education (first, second and third cycle) in which all of the qualifications of the single European area for higher education are divided (Learning outcomes), national structure of the higher education qualifications (Framework for Qualifications), including the recognition of non-formal and formal life-long learning.

INSTITUTIONAL FRAMEWORK

The Ministry of Education and Science, the primary and secondary schools, and the higher education institutions are the bodies competent for the implementation of the Law on Higher Education, the Law on Secondary Education and the Law on Primary Education in terms of recognition of foreign higher education qualifications.

The present Law on Higher Education regulates the procedure for providing quality in the higher education as well as accreditation and licensing of higher education institutions. In this sense, an Evaluation Agency and an Accreditation Board have been established in the Republic of Macedonia. The activity of these two bodies is closely connected to the professional recognition of qualifications.

As regards the supervision of certain professions, it is done by the line Ministries, the corresponding Chambers and Inspectorates. For instance, the supervision over the health care activity is done primarily by the Ministry of Health through the Medical Chamber. The supervision over the educational activity is done by the Ministry of Education and Science as well as the State Educational Inspectorate as the central educational institution competent for enforcing the legislation from the field of education and the systemic control over the quality of the educational process.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The National Framework for Qualifications shall be established with the Law Amending the Law on Higher Education, with the Law on the Vocational and Scientific Titles, simulations of the adopted concept for national graduation in the secondary education which shall become applicable in 2007 and other adequate changes of the Law on Primary Education and Law on Secondary Education in accordance with the National Program for Education Development in the Republic of Macedonia, which has passed the public and expert discussion stage and shall be adopted by the Assembly of the Republic of Macedonia.

The existing Law on Higher Education is partially aligned with the EU measures. The Law Amending the Law on Higher Education, which shall be fully aligned with the EU regulations as regards the recognition of foreign higher education qualifications, is currently being drafted.

Vocational education is planned to be regulated in accordance with the Directives of the European Union. EU Directives that refer to *de jure* professional recognition, which means recognition of qualifications acquired during the studies for the purpose of

practice of professional activity in the host-country or in the country where the qualification was acquired and regulated with certain normative acts, i.e. these fall under the category of regulated professions.

In addition to the Law Amending the Law on Higher Education, the Law on Vocational Education, Law on Life-Long Learning, and the Law on Vocational and Scientific Titles are in a drafting procedure.

INSTITUTIONAL FRAMEWORK

Development of the Information Centre for recognition of foreign higher education qualifications as part of the single ENIK/NARIC network – establishment of a single information network and database for recognition of foreign higher education qualifications and connection with universities; keeping records of the recognized higher education qualifications; professional advancing and equipping in terms of staff, technology and space.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The adoption of legislation regarding recognition of foreign professional qualifications is foreseen to happen in 2008. The legal framework shall be in compliance with the EU directives regarding the curriculum for minimum criteria for training, thus regulating of professions concerning the monopolist activity, protection of vocational titles and connection with the social security system and a procedure for supervision of professions shall therefore be established.

INSTITUTIONAL FRAMEWORK

The legal frame for recognition of foreign professional qualifications shall establish the structures and procedures for recognition of foreign profession qualifications. According to plans, in 2008 a body for mutual recognition of professional (as opposed to higher education) qualifications is to be established.

3.4 FREE MOVEMENT OF CAPITAL

3.4.1 REGIME OF CAPITAL MOVEMENTS AND CURRENT PAYMENTS

1. CURRENT SITUATION

a. LEGAL FRAMEWORK

The **Stabilisation and Association Agreement**, signed by the Republic of Macedonia and the European Communities and their Member States (SAA) in 2001 prescribes the legal base for regulation of the capital movements and current payments. In accordance with the SAA, the Republic of Macedonia enacted new legislation, which provides for the liberalization of the current and part of the capital transactions.

In June 1998, the Republic of Macedonia adopted Article VIII of the IMF Statute and thus introduced convertibility in the payments of current transactions abroad, completely liberalizing current transactions among residents and non-residents.

The **Law on Foreign Exchange Operations** (Official Gazette of the Republic of Macedonia no. 34/01, 49/01, 103/01 and 51/03) regulates: a) the current and capital transactions and their realization in the form of payments and transfers between residents and non-residents, between residents if they work with foreign currency or if the subject of operations is foreign currency, one-side transfer of funds from and in the Republic of Macedonia, that are not transactions between residents and non-residents and b) the foreign currency monitoring and control.

The Law on Foreign Exchange Operations is in aligned with Directive 31988L0361 regarding the terminology and definitions and in terms of the capital movements' classification.

The basic characteristic of the Law on Foreign Exchange Operations is the gradual liberalization of the capital movements depending on the maturity and the type of capital, in relation with the obligations undertaken with the Stabilization and Association Agreement (Articles 58, 59 and 60). Namely, the Law on Foreign Exchange Operations enables full liberalization of transactions, provided for in the first phase of implementation of the SAA (direct investments, commercial loans and financial loans, as well as loans with maturity period of over 1 year). The provisions of this Law provides for liberalization of the financial loans with maturity period less than 1 year, planned to be implemented as an obligation in the second phase of the SAA implementation. Complete liberalization of the operations with securities and investments in real estate of residents abroad is planned following the expiry of the first phase of SAA. The liberalization of the operations with deposits is planned after the expiry of the second phase of SAA.

The Directives of the European Union used in the drafting of the Law on Foreign Exchange Operations are as follows:

- Directive 31988L0361 for the implementation of Article 67 of the Treaty Establishing the European Communities;
- Directive 31997L0005 on cross-border credit transfer;
- Directive 31991L0308 on prevention of the use of the financial system for the purpose of money laundering.

The payment operations in the country are regulated with the **Law on Payment Operations** (Official Gazette of the Republic of Macedonia no. 32/01, 50/01, 52/01, 103/01, 37/02, 41/02, 61/02 and 42/03), as well as with the secondary regulations deriving from the provisions of this Law. In accordance with this Law, carriers of the payment operations in the country are the National Bank of the Republic of Macedonia and the banks, and only these institutions can perform the payment operations defined with the Law. The Law on Payment Operations is aligned with Directive 31998L0026 of the European Parliament and the Council of 19 May 1998 on settlement finality in payment and securities settlement systems.

The 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), implemented as of 15 October 2002.

The service concerning swift money transfer, defined as electronic transfer of funds from a natural person in a country to another natural person in another country within 1 hour from the payment, regardless whether the transfer is made from or to the Republic of Macedonia, whereas the net settlement is made through a business bank is regulated in the **Law on Swift Money Transfers** (Official Gazette of the Republic of Macedonia no. 77/03).

The Republic of Macedonia on a bilateral basis concludes Agreements on promotion and reciprocal protection of investments.

In order to implement the Government policy for increased inflow of foreign direct investments, the Law on Establishing Foreign Investments Agency (Official Gazette of the Republic of Macedonia no. 37/04) was adopted in June 2004. The Agency is a state institution and started its operations as of January 2005. Its main aim is to attract investments in order to enhance the economic development of the Republic of Macedonia.

- Insurance

The legal framework for the insurance system in the Republic of Macedonia is defined with the Law on Insurance Supervision (Official Gazette of the Republic of Macedonia no. 27/02, 84/02, 98/02 and 33/04) and the Law on Mandatory Transport Insurance (Official Gazette of the Republic of Macedonia no. 88/05).

The area of insurance is elaborated in details in Chapter 4.3.9 financial services.

- Securities

The primary law regulating the area of securities is the Law on Securities (Official Gazette of the Republic of Macedonia no. 95/05).

The Law on Securities regulates the manner and conditions regarding the issuing and trading with securities; the manner and conditions of registering securities, determining and settlement of trading transactions and the non-trading transfers of securities, as well as the limitation of property rights on securities; the manner and conditions for functioning of the securities market and authorised participants on the market; the responsibilities for public announcement by the shareholding companies with special duties to inform, the members of management bodies, directors and separate shareholders; the prohibited activities regarding the operations with securities; the status and competencies of the Macedonian Securities and Exchange Commission; the manner and conditions for operations of the authorised participants on the market in case of bankruptcy and liquidation and other issues important for the work with securities. For the issues that are not regulated with this Law, the provisions of the Company Law, the Bankruptcy Law and the Law on the General Administrative Procedure apply.

As part of this Chapter, the Directive 31998L0026 of the European Parliament and the Council of 19 May 1998 on settlement finality in payment and securities settlement systems is partially implemented in the existing Law on Securities, the secondary legislation regarding the establishment of the Central Depository for Securities (published in the Official Gazette of the Republic of Macedonia), as well as in the acts of the Central Depository for Securities for which there is consent from the Macedonian Securities and Exchange Commission and which are accessible on the Internet (were not published in the Official Gazette of the Republic of Macedonia, except for the consent from the Macedonian Securities and Exchange Commission).

The Law on Foreign Exchange Operations allows that apart from the authorized banks and insurance companies, the pension funds, the Deposit Insurance Fund, as well as the investment funds can invest in securities abroad, in accordance with the laws regulating their operations. Following the expiry of the first phase of SAA, the other residents (citizens and companies) will have the right to invest in foreign securities abroad.

The Law on Investment Funds (Official Gazette of the Republic of Macedonia no. 9/00) regulates the conditions for establishing investment funds and companies for management of the investment funds, as well as the manner of their operating, the selection of depository bank and control over their functioning. In accordance with this law the Investment fund may be established as an open fund or as a closed fund.

The Law on Investment Funds does not provide special limitations of the investments from the investment funds in foreign securities.

The law prescribes limits to the investments regarding the national and also foreign securities. Thus, the Fund can not invest more than 20% of its property value into the securities issued by one company. Exceptionally, the Fund may invest without limitations in debit securities of the Republic of Macedonia. The Fund may acquire at most 20% of the total number of issued shares of one issuer and at most up to 15% of the total nominal value of the debit securities issued by one issuer. The Fund may not invest more than 15% of the total number of shares issued by one issuer and more than 10% of the total nominal value of the debit securities issued by one issuer. The deposits in banks and other funds of the Fund may amount at most up to 25% of the value of the Fund property. The Fund must not invest in securities issued by the selected deposit bank or branch offices of a foreign deposit bank, or in deposit funds of these institutions. Additionally, the Fund must not invest in securities issued by other funds. The Fund may exceed the maximum prescribed by law in the case of certain market irregularities with approval by the Commission, but it is obliged to obtain the same maximum once the normal market conditions are re-established. The Fund may exceed the legally prescribed maximum in a period of four months since its establishment.

By setting special rules, the Commission regulates the conditions and procedure on the manner of harmonizing the limits of investments in cases of merger of two or more funds or merger of two or more issuers in which the Funds have invested.

The remaining issues regarding the area of securities are elaborated in Chapter 4.3.9 Financial Services.

b. INSTITUTIONAL FRAMEWORK

The Law on Payment Operations regulating the payment operations in the country is drafted by the Ministry of Finance. The Ministry of Finance and the National Bank of the Republic of Macedonia adopts the secondary legislation enabling the implementation of the Law. The monitoring of the legality and functioning of the payment operations is carried out by the National Bank.

The Law on Foreign Exchange Operations is drafted by the Ministry of Finance. The bylaws, which regulate the implementation of the Law, are adopted by the Ministry of Finance, the National Bank, the Ministry of Economy and the Macedonian Securities and Exchange Commission. The implementation of the Law on Foreign Exchange Operations and the regulations adopted on the basis of this law, within their competencies is carried out by: the National Bank of the Republic of Macedonia, Ministry of Finance, State Foreign Exchange Inspectorate, the Ministry of Economy and the Macedonian Securities and Exchange Commission. The abovementioned control bodies inform each other concerning the violations of the provisions of the Law and assist each other regarding the observed irregularities.

The Law on Swift Money Transfers is drafted by the Ministry of Finance, whereas the bylaws are adopted by the National Bank of the Republic of Macedonia. The monitoring over the implementation of this Law and the regulations adopted on the basis of the Law and on the work of the persons performing the services of fast money transfer and sub-agents is performed by the National Bank of the Republic of Macedonia.

The Financial System Sector within the Ministry of Finance is authorised for drafting regulations in the area of the banking system, non-banking financial institutions, capital market, foreign currency system, the insurance system, payment operations system, audit system and the accounting system. The Financial System Sector is directly involved in the process of approximation of the national legislation in these areas with the European Union legislation. The Sector is organized in 5 (five) units: banking system unit (3 employees), capital market unit (3 employees), insurance system unit (2 employees), payment operations and audit unit (2 employees) and accounting system unit (3 employees).

In the process of drafting the regulations in the area of Chapter 4, the Ministry of Finance cooperates with the National Bank and other involved institutions: the Ministry of Economy, the Macedonian Securities and Exchange Commission and the Central Register of the Republic of Macedonia.

The National Bank of the Republic of Macedonia has twelve departments. The Departments that are directly involved in the process of approximation of the Macedonian legislation with the legislation of the EU in Chapter 4 are: Department for Banking Supervision: - Division of Control of Banks and Savings Houses (6 employees) and Division of Control of Non-Banking Institutions (4 employees); Research Department – Division of movement in the external sector (2 employees); Department for Central Banking Operations and Foreign Exchange Reserves: - Division of foreign reserves management and placement (3 employees), Foreign Market Division (3 employees), Risk Management Division (3 employees); and Payment Systems Department – Development Division (1 employee), Payment Systems Monitoring Division (2 employees). The total number of employees in NBRM is 392 employees.

The Macedonian Securities and Exchange Commission is composed of a President and 6 members. In accordance with the Law on Securities (Official Gazette of the Republic of Macedonia 95/2005), after the expiry of the mandate of the present composition of the Macedonian Securities and Exchange Commission, it is envisaged that the Commission shall be composed of 5 (five) members, of which one is the President. There is an Expert Unit functioning as part of the Macedonian Securities and Exchange Commission composed of four sectors: Sector for General and Legal Issues (3 employees), Sector for Issuing Approvals (2 employees), Sector for Capital Market Control (3 employees) and Research and Capital Market Development and International Cooperation (1 employee). The employees of the Expert unit, as well as the members of the Macedonian Securities and Exchange Commission are in charged with the implementation of the appropriate bylaws of the Law on Foreign Exchange Operations and the provisions for settlement of securities of the Law on Securities and the bylaws.

2. MEDIUM-TERM PRIORITIES

Continuing with the monitoring regarding the process of approximation of legislation with the obligations undertaken in the SAA and the legislation of the European Union in terms of liberalization of the capital flows. On mid-terms the Republic of Macedonia will make additional efforts to eliminate the remaining limitations regarding the short-term movement of capital.

Responsible institutions: Ministry of Finance, National Bank of the Republic of Macedonia, Macedonian Securities and Exchange Commission, Ministry of Justice.

The mid-term priority of the Macedonian Securities and Exchange Commission regarding the Directive 31998L0026 on settlement finality in payment and securities settlement system is to continue the aligning with the EU legislation and practice regarding the settlement finality in payment and securities settlement systems.

3.4.2 PAYMENT SYSTEM

1. CURRENT SITUATION

a. LEGAL FRAMEWORK

The legal framework for the area of payment operations is elaborated in detail in part 4.4.1. of this Chapter.

The payment operations in the country are regulated with the Law on Payment Operations (Official Gazette of the Republic of Macedonia no. 32/01, 50/01, 52/01, 103/01, 37/02, 41/02, 61/02 and 42/03) and the secondary legislation deriving from the provisions of this Law.

The 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), implemented as of 15 October 2002.

b. INSTITUTIONAL FRAMEWORK

The Ministry of Finance is the institution authorised for drafting the Law on Payment Operations. The adoption of the secondary legislation deriving from this Law is within the competency of the Ministry of Finance and the National Bank of the Republic of Macedonia. The monitoring of the legality and the functioning of the payment operations system is within the competency of the National Bank of the Republic of Macedonia.

The National Bank adopts the bylaws stemming from the Law on Foreign Exchange Operations which refer to the payment operations abroad.

The institutional framework for the payment system is elaborated in detail in part 4.4.1.6 of this Chapter.

2. SHORT-TERM PRIORITIES

Preparation of a strategic document for development of the payment systems until the end of 2006.

3. MEDIUM-TERM PRIORITIES

Description of the priority: Further harmonization with the Directive on cross-border credit transfer and introduction of efficient procedures for complaints and damages for dispute resolution related to cross-border transfers.

Responsible institutions: Ministry of Finance, National Bank of the Republic of Macedonia.

3.4.3 MONEY LAUNDERING PREVENTION

1. CURRENT SITUATION

a) LEGAL FRAMEWORK

- Law on Prevention of Money Laundering and Other Financial Proceeds from Criminal Offence (**Official Gazette of the Republic of Macedonia 46/04**)

The legal basis for development of the system for preventing money laundering were established for the first time in the Republic of Macedonia in 2001 with the adoption of the Law on Money Laundering Prevention (Official Gazette of RM no. 70/01), which entered into force as of 1 March 2002.

On 12 July 2004 the Parliament of the Republic of Macedonia adopted a new Law on Prevention of Money Laundering and Other Financial Proceeds from Criminal Offences (Official Gazette no. 46/04). The new law is in aligned with the provisions contained in the relevant international documents, namely: the UN Convention against Trans-national Organized Crime from 2000 (the Palermo Convention), Directive 32001L0097 on amending Directive 31991L0308, as well as the FATF recommendations. The Law on Prevention of Money Laundering and Other Financial Proceeds from Criminal Offences prescribes a system of preventive measures and actions against money laundering and financing of terrorism, approximated with the provisions of relevant international documents.

-**Rulebook on the contents of reports on transactions submitted to the Directorate (Official Gazette no. 54/04)**, derived from the provisions of the Law on Prevention of Money Laundering and Other Financial Proceeds from Criminal Offences .

-Other laws

- Criminal Code of the Republic of Macedonia (Official Gazette of the Republic of Macedonia no. 37/1996, 80/1999, 4/2002, 43/2003 and 19/2004),
- Law on Criminal Procedure (Official Gazette of the Republic of Macedonia no. 15/1997, 44/2002, 74/2004),
- Banking Law (Official Gazette of the Republic of Macedonia no. 63/2000, 103/2000, 37/2002, 51/2003 and 85/2003),
- Law on Swift Money Transfers (Official Gazette of the Republic of Macedonia no. 77/2003).

-Strategic and other documents prepared by the Directorate for Money Laundering Prevention

- National strategy for combating money laundering and financing of terrorism. The strategy represents a strategic document in the fight against money laundering, adopted by the Government of the Republic of Macedonia on 30 June 2005.
- List of indicators for recognition of suspicious transactions – defined guidelines based on the past experiences and international best practices in the area of money laundering in order to assist the competent subjects recognize the potential attempts for money laundering.

b) INSTITUTIONAL FRAMEWORK

- Directorate for Money Laundering Prevention (DMLP)

The **Directorate for Money Laundering Prevention** is a body within the Ministry of Finance. The Directorate was established in September 2001 based on the Law on Money Laundering Prevention (Official Gazette of the Republic of Macedonia 70/2001) and started functioning on 1 March 2002. As an administrative model of a Financial Investigation Unit (FIU), the Directorate is organized in three units: Analytical Unit, Suspicious Transactions Unit and System Development and International Cooperation Unit. Since June 2004 the Directorate is a member of the EGMOND Group.

2. SHORT TERM PRIORITIES

Further strengthening of the legal framework for prevention of money laundering, especially through raising awareness among the institutions that are submitting the reports, and by establishing credible enforcement records by the relevant institutions. Implementation of the National Strategy for Prevention of Money Laundering and Financing of Terrorism.

Aimed towards the realization of this priority, the following measures and activities were planned:

- Strengthening of the institutional capacities of DMLP
 - Increasing the number of employees of the DMLP
 - Specialized trainings for the employees in the DMLP
 - Material and technical equipping of the DMLP
- Strengthening the international cooperation and the exchange of information regarding suspicious transactions
 - Implementation of the concluded Memoranda of Understanding of DMLP
 - Concluding Memoranda of Understanding with other countries
- Publishing of the Annual Report on the Work and Activities of the DMLP and publishing of the statistical data on money laundering and financing of terrorism in RM and on international level.
- Strengthening the inter-institutional cooperation
 - Implementation of the concluded Memoranda between the institutions and DMLP
 - Signing Protocols on electronic access of DMLP to the databases of Customs Administration, Ministry of Interior and the Central Registry.
- Amending the existing legislation for prevention of money laundering and financing of terrorism
 - Amending the Law on Prevention of Money Laundering and Other Financial Proceeds from Criminal Offences in accordance with the Third Directive, the Amended Strasbourg Convention and the FATF Recommendations.

3. MEDIUM-TERM PRIORITIES

LEGISLATION

Further approximation of the legislation in the area of money laundering prevention in accordance with the new directives of the European Union that shall be adopted in this period, as well as providing the necessary resources regarding the implementation.

4. FOREIGN ASSISTANCE

Implementation of a project for technical assistance with funds provided from the CARDS Programme for 2002 – Project for Fight Against Money Laundering is ongoing.

Technical assistance for procurement of software and equipment for automatic processing of data with funds provided from the CARDS Programme for 2003 – Project for Fight Against Money Laundering (continuation of CARDS 2002) will be implemented in 2006.

Twinning project for institutional capacity building of the Directorate for Money Laundering Prevention (shall start with implementation in 2006. The implementation of efficient mechanisms for cooperation among the bodies involved in the fight against money laundering and financing of terrorism will continue. These funds are provided from the CARDS Programme for 2005.

The implementation of the last phase of the project of GTZ (German Association for Technical Cooperation) for approximation of the money laundering prevention legislation will continue in 2006.

5. INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total
09001	MF – Directorate for Money Laundering Prevention	1	1	1	2	1	6
	MF – Financial System Sector	0	0	0	0	0	0
09001 Total		1	1	1	2	1	6
10001	ME – Foreign Investments Agency	4	15	0	0	0	19
10001 Total		4	15	0	0	0	19
Total		5	16	1	2	1	25

3.5 PUBLIC PROCUREMENT

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Public Procurement was adopted by the Assembly of the Republic of Macedonia on 26 March 2004 (Official Gazette of the Republic of Macedonia No 19/2004), and entered into force on 7 April 2004. The following EU directives on public procurement are transposed into the Law on Public Procurement of the Republic of Macedonia:

- **Council Directive 31989L0665** of 21 December 1989 on the coordination of laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply and public works contracts;
- **Council Directive 31992L0013** of 25 February 1992 coordinating the laws, regulations and administrative provisions relating to the application of Community rules on the procurement procedures of entities operating in the water, energy, transport and telecommunications sectors;
- **Council Directive 31993L0036** of 14 June 1993 coordinating procedures for the award of public supply contracts;
- **Council Directive 31993L0037** of 14 June 1993 coordinating the procedures for the award of public works contracts;
- **Council Directive 31993L0038** of 14 June 1993 coordinating the procurement procedures of entities operate in the water, energy, transport and telecommunications sectors;

On the basis of the Law on Public Procurement, 11 bylaws have been adopted and published in the Official Journal of the Republic of Macedonia, and they are as follows:

- **A list establishing the entities subject to the provisions of the Law on Public Procurement** (Official Gazette of the Republic of Macedonia No 34/2004), adopted on the basis of Article 1 Paragraph 3 from the Law,
- **Rulebook on the form and contents of the annual public procurement plan** (Official Gazette of the Republic of Macedonia No 33/2004), adopted on the basis of Article 11 Paragraph 7 from the Law;
- **Rulebook on the procedure for opening bids in open invitation and limited invitation and for the form for taking minutes of opening the bids** (Official Gazette of the Republic of Macedonia No 50/2004), adopted on the basis of Article 46 Paragraph 4 from the Law;
- **Decision on determining equipment, materials and services of defence and security nature** (Official Gazette of the Republic of Macedonia No 69/2004) which procurement the law does not refer to, in accordance with Article 3 Paragraph 2 from the Law;
- **Rulebook on the detailed rules for estimating the value of the procurement** (Official Gazette of the Republic of Macedonia No 10/2005), adopted on the basis of Article 9 Paragraph 2 from the Law.
- **Rulebook on the form and contents of the form and on the manner of keeping the purchasers' registry of conducted procurements** (Official Gazette of the Republic of Macedonia" No 10/2005), adopted on the basis of Article 17 Paragraph 5 from the Law;
- **Rulebook on the form and contents of the form and the manner of keeping the single registry** (Official Gazette of the Republic of Macedonia No 10/2005), adopted on the basis of Article 18 Paragraph 3 from the Law;
- **Rulebook for the compulsory elements of the tender documentation** (Official Gazette of the Republic of Macedonia No 10/2005), adopted on the basis of Article 36 Paragraph 10 from the Law;
- **Methodology for expressing the criteria with points** (Official Gazette of the Republic of Macedonia No 10/2005), adopted on the basis of Article 50 Paragraph 5 from the Law;
- **Rulebook on the method, terms and procedure for selecting experts who will examine the regularity of the public procurement procedure** (Official Gazette of the Republic of Macedonia No 10/2005), adopted on the basis of Article 93 Paragraph 10 from the Law.

Under preparation is another bylaw, aimed at further facilitation of the implementation of the Law on Public Procurement :

- **Methodology for expressing the criteria in monetary value**, which is to be adopted on the basis of Article 50 Paragraph 5 from the Law.

Furthermore, to enable implementation of the Law on Public Procurement, as well as provide unified application of the Law, the Bureau for Public Procurement prepared a standard tender documentation for procurement of goods, things and services and models of contracts, which will be accessible to the procurers through the web-page <http://javni-nabavki.finance.gov.mk>.

INSTITUTIONAL FRAMEWORK

In accordance with Article 24 from the Law on Public Procurement, the Public Procurement Bureau was established, which is a body of the state administration, without the characteristic of a legal entity, within the Ministry of Finance.

The Public Procurement Bureau has the authority to realise the development of the public procurement system, through providing legality, rationality, efficiency and transparency in the application of the public procurement, and is also responsible for encouraging competition and equality of the bidders in the public procurement procedures.

At the present moment, the Bureau has two departments: Department for Promotion of Public Procurement system and Department for Register and Analysis. The personnel of the Bureau consists of 11 executors, 5 of which are legal experts, 2 economists, 1 construction engineer, 1 electro-engineer and 2 administrative workers. The number of the personnel of the Public Procurement Bureau is planned to continually increase.

Concerning the legal remedies, an administrative body for complaints – Commission on Complaints – has been established. Concerning the types of legal remedies, the existing regulations provide a right to objection and complaint not only by the discontent bidders and candidates, but also by those economic operators who have taken tender documentation, and have not submitted a bid. Right to compensation of damages before the regular courts has also been provided according to the general rules of the civic society, which is an obligation from the EU Directives. Court protection has also been provided in regard to the signed contracts.

SHORT-TERM PRIORITIES

LEGISLATION

Adoption of Law on Amending the Law on Public Procurement is planned for 2006, having regard the two new Directives on Public Procurement (32004L017 and 32004L018). Namely, further harmonisation of the legislation on public procurement is planned, especially in the utilities sector; integration of the rules on concessions in the public procurement system; introducing inspection service for public procurement and introducing a clause for anticorruption measures in the contracts for realising public procurement.

In accordance with the changes that will result from the harmonisation of the Law on Public Procurement, there will also be changes in the secondary legislation.

INSTITUTIONS

There are plans for strengthening the capacity of the Public Procurement Bureau, with 9 new employees.

Training of the personnel is a constant activity of the Public Procurement Bureau, through participation at seminars and workshops. Finalisation of the software is envisaged for 2006, which will enable greater efficiency in the work of the Public Procurement Bureau, as well as larger transparency in the realisation of the public procurement.

In order to improve the transparency in the public procurement procedures and to provide fair competition and prevention of corruption and fraud, the following activities are planned: publishing public procurement, all public calls, procedures and forms on a web-page, including the findings of the second-instance Public Procurement Commission; preparing quarterly reports on the complaint procedures and objections for public procurement; regular and continual updating of the Single Register for realised public procurement; and preparing quarterly reports to the State Commission for Prevention of Corruption.

In the coming period, the PPB will also focus on providing efficient system for compensation, especially in regard to the clients who could demand compensation.

The activities regarding the new amendments of the Law on Public Procurement will be focused on the part of legal protection, in the sense of more precise determination of the status of the Commission on Complaints, i.e. appointing its members and the procedures for using legal remedies, as well as the manner of efficient realisation of the right to compensation of damage.

MEDIUM-TERM PRIORITIES

LEGISLATION

Finalisation of the process of harmonisation of the legislation for public procurement with the EU legislation, as well as application of the best European practices.

INSTITUTIONS

Full equipping of the Public Procurement Bureau (according to the projection prepared by the expert team from the “Bureau for Public Procurement” project) is planned, as well as continual development of an efficient system for implementation and application of the laws on public procurement, as well as establishing a fully functional system in order to provide fair competition and prevention of corruption and fraud.

Independence of the institution Public Procurement Bureau for implementation, application and supervision of the legislation on public procurement is planned as a mid-term priority.

INSTITUTION BUILDING REQUIREMENTS							
Budget No	Institution	2006	2007	2008	2009	2010	Total
09001	Ministry of Finance – Public Procurement Bureau	3	3	3	0	0	9
09001 Total		3	3	3	0	0	9
Total		3	3	3	0	0	9

FOREIGN ASSISTANCE

The realisation of the project for technical assistance “Public Procurement Bureau”, financed by CARDS, started on 20 September 2004. This project will last for 18 months, ending in April 2006.

3.6 COMPANY LAW

3.6.1 COMPANY LAW

CURRENT SITUATION

a. LEGAL FRAMEWORK

The field of Company Law is regulated by the Company Law (Official Gazette of the Republic of Macedonia No. 28/04 and 84/05), Law on the One-stop-shop System and the maintenance of the trade register and the register of other legal entities (Official Gazette of the Republic of Macedonia No. 84/05) and the Law on Takeover of Joint Stock Companies (Official Gazette of the Republic of Macedonia No. 04/02 and 37/02).

The Company Law (Official Gazette of the Republic of Macedonia No. 28/04 and 84/05) harmonized with the EU Directives 31968L0151 and 31977L0091, regulates the disclosure requirements for joint-stock companies, limited liability companies and limited partnership by shares. The basis on which the liabilities undertaken on the behalf of companies are considered invalid limits to a minimum the cases from which invalidity can arise. The Law restricts cases that can result in nullity. In addition it determines the rules for establishment of limited liability companies and maintenance and changes in their core capital. The Law is fully compliant with the Directives 31978L0855 and 31982L0891 on the mergers or divisions of joint stock companies. Furthermore, the Law is in compliance with the Directive 31989L0666 concerning branches of foreign companies covered with the Directive 319689L0151, as well as the compulsory disclosure requirements of data on the branches, i.e. Directive 31989L0667 laying down the basis for regulating limited liability companies founded by one person, the so-called "DOOEL" companies. The Law is also harmonized with the Regulation 31985R2137 on the European Economic Interest Grouping (EEIG).

In October 2005 the **Law on the One-stop-shop System and the maintenance of the trade register and the register of other legal entities** was adopted (Official Gazette of the Republic of Macedonia No. 84/05), which was harmonized with the Directive 31968L0151 and its amendments in the Directive 32003L0058. In the course of 2005 the Company Law (Official Gazette of the Republic of Macedonia No. 84/05) was amended along with 16 other laws from different fields for the full application and implementation of the One-stop shop system. As a precondition for registration of companies the Rulebook on the Form and Content of the registration forms for entry in the trade register and the register of other legal entities was adopted (Official Gazette of the Republic of Macedonia No. 115/05) in accordance with the Law on the One-stop-shop System and the maintenance of the trade register and the register of other legal entities. The Law is a base for transferring the competence for registration of companies from the courts to the Central Register and its 31 registration offices. At the present the procedure for entry in the trade register is an administrative procedure, instead of the previous (court) non-contentious procedure.

The Law is a base for establishing the **One-Stop-Shop System** for registration of the trade entities, with de-concentration of the process and its convergence to the entities of the registration. The application of the One-Stop-Shop System commenced on 1 January 2006. Thus far electronic connection and database for the unique trade register through conversion of data from paper into electronic form has been performed. The trade register is in electronic form as a part of the central information base of the Central Register responsible for its establishment, keeping and administering.

Regarding the procedure for taking over of joint-stock companies in 2002 the **Law on Takeover of Joint Stock Companies** was adopted (Official Gazette of the Republic of Macedonia No. 04/02 and 37/02). The Law governing the manner and conditions for purchase of securities from joint stock company, when a certain legal or natural entity has acquired or intends to acquire more than 25% of the voting shares of the particular joint stock company, was aligned with the Directive 31988L0627.

Strategic documents in this field are: The White Paper on Corporate Governance in South Eastern Europe (Securities and Exchange Commission, Skopje 2003) containing the recommendations for achieving the basic objectives of policies and the priorities of the reforms in this field; the Study for development and implementation of the One-Stop-Shop System (Central Register of the Republic of Macedonia, 2005, assisted by the United Nations Development Programme - UNDP) which covers all the functional requirements for establishment of the One-Stop-Shop System for registration of trade companies in the Republic of Macedonia, as well as the Strategy for reforms in the judiciary (Government of the Republic of Macedonia, 2005) in the section on reforms of the courts and their competences which provides the exemption of registration of trade entities from the courts' jurisdiction.

b. INSTITUTIONAL FRAMEWORK

The Company Law is implemented by all trade companies, regardless of their size. In accordance with the Law, there are several types of companies, in particular: public company, limited partnership, limited liability company, joint stock company and limited partnership joint stock company.

In the Ministry of Economy, which is in charge of this field, seven civil servants are employed in the Legal Affairs Sector.

Other state bodies involved in the implementation of this Law are the Central Register, (competent for the registration of business entities, with the One-Stop-Shop System which strives to make the process of registration closer to the entities) all other competent inspection bodies according to the activity of the trade company, the Public Revenue Office, Banks, the Central Securities Depository (for the registration of the securities, settlement of the trade transactions and performing non-commercial transfers), the Macedonian Securities Stock Exchange and the Securities and Exchange Commission.

In accordance with the Law on the One-stop-shop System and the maintenance of the trade register and the register of other legal entities thus far electronic connection and database for the **unique trade register** through conversion of data from paper into electronic form has been performed. The registration and entry of the data into the trade register for trade entities is performed in electronic form and it is a part of the central information base of the Central Register, which is responsible for its establishment, keeping and administering. At the present, the Central Register has 194 employees. The Budget of the Central Register of the Republic of Macedonia for 2005 has allocated 1.200.000.00 EUR for the establishment of the unique trade register. Decision for determining the remuneration of the President, the members and deputies of the Appeal Commission (Official Gazette of the Republic of Macedonia, No. 02/06), was adopted and the Appeal Commission comprised of three members as a second-instance body has been formed.

SHORT-TERM PRIORITIES LEGISLATION

The Company Law will be amended for the purpose of harmonization with the OECD principles for corporate governance in accordance with the World Bank Arrangement and the PDPL 2 Arrangement. The Proposal for Law Amending the Law on Take-over of Joint Stock Companies will be prepared in the second half of 2006, for an increased protection of the small shareholders, transparency and complete notification of the shareholders as well as the public. In the Law Directive 32004L0025 of the European Parliament and the Council from 21 April 2004 on take-over bids, shall be incorporated. For adoption of respective bylaws on the basis of the Law on Take-over of Joint Stock Companies the competent authority is the Securities and Exchange Commission.

INSTITUTIONS

In accordance with the Decision for opening the offices for registration and maintaining of the trade register and register of other legal entities (Official Gazette of the Republic of Macedonia No. 108/05), in addition to the first three offices for registration opened in Skopje, Bitola and Stip, offices for registration all over the country will become functional.

With the establishment of the One-stop shop System the Central Register will be reinforced with new staff in accordance with the new competences. For the three new employees who will join the Central Register in 2006, training shall be conducted. The final number of newly-employed staff shall be determined depending on the actual work of the unique trade register and the newly established One-Stop-Shop System. The Legal Affairs Sector at the Ministry of Economy shall be reinforced with four new employees in 2006, to work on harmonization with the EU legislation of the European Union.

MEDIUM-TERM PRIORITIES

Training for the employees of the Ministry of Economy shall be performed on EU legislation, its transposition to the national legislation and drafting techniques.

3.6.2 ACCOUNTING AND AUDIT

a) ACCOUNTING

CURRENT SITUATION

a. LEGAL FRAMEWORK

The field of corporate accounting is regulated by the Company Law (Official Gazette of the Republic of Macedonia No. 28/04, 84/05). There are no special national accounting standards and with the Rulebook on Accounting Standards (Official Gazette of the Republic of Macedonia No. 40/97 and 73/99) the International Accounting Standards (IAS) of the International Accounting Standards Committee were accepted as the accounting standards applicable in the Republic of Macedonia since 1 January 1998.

The bookkeeping, annual accounts, financial reports and consolidated financial reports for the trade companies are regulated by the Company Law (Official Gazette of the Republic of Macedonia No. 28/04) and governed by the Directive 31978L0660, Directive 31983L0349 and Regulation 32002R1606 on the application of International Accounting Standards.

The International Accounting Standards in the Republic of Macedonia are updated and published annually, to be in line with the current standards as they have been amended or adopted by the International Accounting Standards Board. At the end of 2004, a new Rulebook on bookkeeping (Official Gazette of the Republic of Macedonia No. 94/04, 11/05) was adopted on the basis of the translated International Accounting Standards which were updated on an annual basis for 2003. In accordance with the new Rulebook amending the Rulebook on bookkeeping (Official Gazette of the Republic of Macedonia No. 116/05), the International Standards for financial reporting have been updated and published.

According to the Article 469 from the Company Law, the following entities are obliged to bookkeeping: each large, medium and small trader, traders determined by law, as well as traders who undertake banking activities, insurance activities, traders listed on the stock exchange, as well as traders whose financial reports enter in the consolidated financial reports of the aforementioned traders. All entities (large, medium and small) are obliged to prepare and submit annual account statements and financial reports in accordance with the adopted International Accounting Standards.

As regards small trade companies, pursuant to the Rulebook on determining the form and contents of the balance schemes (Official Gazette of the Republic of Macedonia No. 23/99) special forms of the balance schemes are provided for large and medium size companies, while small entities are required to fill out reduced balance schemes by writing down in the spaces marked with letters and Roman numbers, aligned with the IVth Directive of the European Union 31978L0660.

In compliance with the Law on Securities (Official Gazette of the Republic of Macedonia No. 95/05) "the Joint Stock Companies with special reporting obligations" are obliged to prepare and submit quarterly, semi-annually and annual financial reports according to the adopted International Accounting Standards. In accordance with this Law, "a Joint Stock Company with special reporting obligations" is a company that has made a public offer of securities, or has a principal capital of 1.000.000 EUR in denars counter-value and has more that 100 shareholders, or is listed on the stock exchange.

b. INSTITUTIONAL FRAMEWORK

The competent institution for the accounting is the Ministry of Finance (Financial System Sector) with the Unit for Accounting, in which there are four civil servants employed.

Upon the Decision of the Government of the Republic of Macedonia, an Accounting Standards Commission was established (Official Gazette of the Republic of Macedonia No. 30/1997) for the purpose of monitoring, approximation and explanation of the International Accounting Standards, but is not operational at the moment.

The institutional framework includes: in accordance with the Company Law, all trade companies, the Central Register, the Public Revenue Office, the Securities and Exchange Commission as well as the companies that provide economic-legal and financial consulting .

Continuous education

a) In the Republic of Macedonia, the continuous education of accountants for preparation of the annual accounts and the financial reports on the basis of the application of International Accounting Standards as National Accounting Standards is performed by a well-developed network of companies for economic-legal and financial consulting. Thus far numerous handbooks have been published for the purpose of successful preparation of financial reports, on the basis of application of the International Accounting Standards (IAS). Each year the consulting companies prepare handbooks for the preparation of annual accounts and financial reports.

b) the Accountants Association of the Republic of Macedonia has brought its role down to a minimum, and at the present is just representing the profession of accountants (as the network of private consulting companies developed and consolidated).

SHORT-TERM PRIORITIES

LEGISLATION

The Rulebook on determining the form and content of the balance schemes for the trade companies shall be adopted in the second quarter of 2006. The aforementioned Rulebook, as well as the Rulebook on the account plan of the trade companies and the Rulebook on the separate accounts content in the accounting plan for the trade companies, which shall be adopted in the second quarter of 2006, are to be aligned with the IVth Directive of the European Union 31978L0660.

INSTITUTIONS

Within the Institute of Certified Auditors, an Accounting Standards Commission will be established. The Accounting Standards Commission will perform the activities on monitoring, approximation and application of the International Accounting Standards as National Accounting Standards of the Republic of Macedonia.

MEDIUM-TERM PRIORITIES

LEGISLATION

As regards mid-term planning, the publication of the international accounting standards for medium and small entities is foreseen, after the standards have been determined by the IFAC/IASB.

b) AUDIT

CURRENT SITUATION

a. LEGAL FRAMEWORK

In the field of audit, the main objective is the establishment of an auditing system compatible with the systems of the developed countries, as well as to provide application of the directly and general accepted International Standards on Auditing.

With the adopted Law on Audit in 1997 (Official Gazette of the Republic of Macedonia, No. 65/1997, 27/2000, 31/01 and 61/02), in the Republic of Macedonia the process for establishing the system for auditing compatible with the auditing systems of the developed countries began, thus providing the direct application of the generally accepted International Standards of Audit. The Law regulates the criteria that certified auditors have to fulfil, as well as the criteria regarding their competency and independence, whereby European Union measures 31978L0660, 31983L0349 and 31984L0253 were taken into consideration.

In accordance with this Law, there are many bylaws that are still applied to regulate: the manner of taking the exam for acquiring the title of a certified auditor; the form and content of the certificate for the certified auditor, the method and procedure for validation and recognition of a document for certified auditor.

As regards the implementation of this Law, a Programme on taking the exam for acquiring the Certified Auditor title containing the subject areas that are examined, has been prepared. In the course of 2005 the International Standards of Audit were updated and published, as well as the Code of Ethics determined by the International Federation of Accountants (IFAC) (Official Gazette of the Republic of Macedonia No. 92/05). The Program was updated and published on the web site of the Ministry of Finance in April 2005.

Considering the current condition in the domain of organizing an independent profession of an auditor, a new Law on Audit was adopted (Official Gazette of the Republic of Macedonia No. 79/05). The legal framework is also covered by the Company Law which contains provisions on auditing, and what was generally determined by the Company Law, shall be applicable for the Law on Audit. The new Law on Audit is in accordance with the Directive 31984L0253 and furthermore it considers the new Draft Directive of the European Parliament and the Council of the EU on statutory audit of annual accounts and consolidated accounts. In fact, the adopted Law on Audit creates the required conditions for a self-regulating profession, as a final objective for each profession.

b. INSTITUTIONAL FRAMEWORK

The Ministry of Finance is competent for the legal framework and the key legal acts in the auditing system within Financial System Sector with two employees in the Unit for payment operations system and audit system. In accordance with the new Law, a Commission for the preparation tasks for commencement of the activity of the Institute of Certified Auditors has been established. The current activities of the Commission are directed towards the founding of an Institute of Certified Auditors as a chamber association. In accordance with the provisions of the Law, a Council for upgrading and monitoring of auditing was established (Official Gazette of the Republic of Macedonia No. 109/05).

SHORT-TERM PRIORITIES

LEGISLATION

With the new Law on Audit deregulation of the profession is performed, whereby the Ministry of Finance entirely, and in some segments, partially, transfers the competence from the domain of audit profession to the Council for upgrading and monitoring of auditing and to the Institute of Certified Auditors. In compliance with the provisions of this Law, until new regulations have been adopted, the regulations of the previous Law on Audit shall be applied. Following the establishment of the Institute, new regulations shall be adopted.

Strategic document for this field as well as for the accounting field shall be the Action Plan for Accounting and Audit, which is to be adopted by the end of the second quarter of the year 2006.

INSTITUTIONS

In compliance with the new Law on Audit, the Ministry of Finance is the competent body for monitoring the enforcement of the provisions of the Law. Taking into consideration the fact that the Financial System Sector is competent for the system on auditing, for the purpose of increased efficiency, one person shall be employed.

In accordance with the provision of the Law, an Institute of Certified Auditors as a chamber association will be established. For enforcing the provisions of the new Law on Audit, financial means have been provided for the founded Council for upgrading and monitoring of auditing from the Budget of the Republic of Macedonia for 2006.

MEDIUM-TERM PRIORITIES

LEGISLATION

In the period from 2008-2010 the activities shall be directed towards fulfilling of the undertaken obligations from the Stabilization and Association Agreement, monitoring of the activity of the Council for upgrading and monitoring of auditing and the Institute of Certified Auditors; monitoring of the enforcement of the provisions of the Law for establishing an auditing system compatible to those of the Member States of the European Union.

INSTITUTIONS

In compliance with the new Law on Audit, the Ministry of Finance is the competent body for monitoring the enforcement of the provisions of the Law. The Council for upgrading and monitoring of auditing and the Institute of Certified Auditors shall perform

activities within the framework of their competencies governed by the Law. As regards medium-term plans, funds from the Budget of the Republic of Macedonia will be provided for the Council for Upgrading and Monitoring of Audit.

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total
09001	Ministry of Finance – Accounting Unit	0	0	0	0	0	0
	Ministry of Finance – Financial System Sector – Unit for payment operations system and auditing system	1	0	0	0	0	1
	Ministry of Finance –New Institute of Certified Auditors	3	0	0	0	0	3
09001 Total		4	0	0	0	0	4
10001	Ministry of Economy - Legal Affairs Sector	4	0	0	0	0	4
10001 Total		4	0	0	0	0	4
Total		8	0	0	0	0	8

FOREIGN ASSISTANCE

According to the Project for Business Environment Reforms and Institutional Strengthening (BERIS) with the World Bank, the amount of 1.771.000.00 EUR was foreseen for the Central Register. This amount will be aimed at financing of the second phase of the Project for One-Stop-Shop System especially for the finalization of the central informative data base and providing the necessary software and hardware equipment for implementation of the One-Stop-Shop System, as well as other related activities.

3.7 INTELLECTUAL PROPERTY LAW

3.7.1 COPYRIGHT AND RELATED RIGHTS

CURRENT SITUATION

a. LEGAL FRAMEWORK

For the purpose of a more efficient protection and full compliance with the corresponding EU Directives from the field of copyright and related rights, in 2005 the Law Amending the Law on Copyright and Related Rights (Official Gazette of the Republic of Macedonia, No. 04/05) was adopted. The Law is compliant with: 31991L0250, 31992L0100, 31993L0083, 31993L0098, 31996L0009, 32001L0029 and 32001L0084 measures of the European Union. In addition, with the ratification of the World Intellectual Property Organization (WIPO) Agreement on copyright and the WIPO Agreement on performance and phonograms, the normative obligations have been fully completed, from Article 68 and Article 71 from the Stabilization and Association Agreement of the Republic of Macedonia with the European Union (ANNEX VII). With the accession in the World Trade Organization (WTO), the Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) has been accepted. The standards resulting from the TRIPS Agreement have been incorporated into the national legislation.

The **strategic document** for copyright and related rights is the National Programme for Culture (Official Gazette of the Republic of Macedonia, No. 31/04) where the special priority for the period from 2004 to 2008 is the protection of copyright and related rights.

b. INSTITUTIONAL FRAMEWORK

The Ministry of Culture is the competent body of the state administration for performing the activities and supervision related to copyright and related rights. The Ministry has the following structure: One State advisor on copyright and related rights; Normative and Governing Affairs Department for copyright and related rights consisting of five employees in two units, out of which one unit is for copyright and related rights, functioning with one employee.

The Sector for governing and supervising affairs and control has three employees, in two units. The Sector is competent for the governing and supervising issues, including the inspection supervision in the fields of culture, the use of the Macedonian language and copyright and related rights.

On the basis of the Law on Copyright and Related Rights, the Government of the Republic of Macedonia has reached a Decision on the appointment of a president and members of the Commission dealing with copyright and related rights (Official Gazette of the Republic of Macedonia, No. 88/05). The Ministry of Culture announced a Public Competition for Collecting Management (Official Gazette of the Republic of Macedonia, No. 105/05) enabling issuing of the licenses for new associations.

In the Republic of Macedonia, there is one association for collecting management of copyright and related rights regarding the use of non-performing music artistic works. The association has authorization on behalf of CISAC (The International Confederation of Authors and Composers Societies), AGICOA (Association of International Collective Management of Audiovisual Works), and international associations entitled to exclusive radio broadcasting rights (EBU and VPRT), to collect fees from cable re-transmission. The Law provides the realization and protection of copyright and related rights to be performed directly by the owners of rights, individually (independently) or through a legal representative.

The **Coordinative Body for copyright and related rights** was formed in accordance with the Government's Decision as an inter-ministerial body competent to observe advanced, integrated and efficient realization of copyright and related rights, including the protection of the aforementioned rights.

SHORT-TERM PRIORITIES

LEGISLATION

In 2007 a **strategic document**- A National Strategy for advancement of the legal protection of copyright, is to be prepared. The adoption of a new Law on Copyright and Related Rights is planned for implementation of the Directive 32004L0048 and improvement of the collective realization of rights in 2007.

An initiative for amendments of the Criminal Code of the Republic of Macedonia and other laws of judiciary and procedural character shall be instigated: for the purpose of approximation of the incriminating activities for infringement of the copyright and related rights, for the purpose of legal consistency of the copyright and related rights system as well as for the purpose of harmonization with the Directive 32004L0048.

On the basis of the Law on Copyright and Related Rights, the Government shall adopt an Act for determining the amount of fees for private copying and reproduction.

INSTITUTIONS

In order to strengthen the capacities in the Ministry of Culture, a Copyright and Related Rights Sector shall be established with five civil servants organized in two units. Sector for Administrative and Supervising Affairs and control shall be strengthened with four new employees.

The Coordinative Body and the competent bodies as mentioned in the Activity Program along with the Action Plan, shall conduct activities.

Following the conducted public announcement, measures and activities for the stable action and support to associations for collecting copyright and related rights management shall be undertaken.

MEDIUM-TERM PRIORITIES

LEGISLATION

International trends and practices in the field of copyright and related rights and the changes in the EU regulations shall be monitored and harmonization of the national legislation shall be performed.

INSTITUTIONS

In 2008 the Copyright and Related Rights Sector should be enlarged to a total of eight employees, because of the increased competences.

The condition of the collective realization shall be monitored. The support to the existing and the assistance for newly founded associations shall continue, if in the prior period all types of use of copyright and related rights that are generally exercised in this manner are not covered yet. The support includes continuous training for the personnel working in this field.

3.7.2 INDUSTRIAL PROPERTY RIGHTS

CURRENT SITUATION

a. LEGAL FRAMEWORK

With the accession in the World Trade Organization (WTO), the Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) has been accepted. The standards resulting from the TRIPS Agreement have been incorporated into the national legislation.

For the purpose of the realization and the determination to monitor the development of the industrial rights protection and because of harmonization with international standards and approximation of the national legislation with EU legislation, the **Law on Industrial Property** has been adopted (Official Gazette of the Republic of Macedonia, No 47/02, 42/03, 09/04) which has become applicable as of 1 January 2004.

Certain issues related to the enforcement of the Law on Industrial Property have been regulated by secondary legislation. With the Law on Industrial Property and its bylaws, the national legislation has been harmonized with the crucial provisions of Regulation 31992R1768 concerning the creation of a supplementary protection certificate for medical products; Regulation 31996R1610 concerning the creation of a supplementary protection certificate for plant protection products; Directive 31998L0071 on the legal protection of designs; the first Directive 31989L0104 for approximation of the laws of the Member States relating to trade marks and Regulation 31992R2081 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs.

The Protocol Relating to the Madrid Agreement Concerning the International Registration of Trade Marks (Official Gazette of the Republic of Macedonia, No. 12/02) and the Budapest Treaty on the International Recognition of the Deposit of Micro organisms for the Purposes of Patent Procedure (Official Gazette of the Republic of Macedonia, No. 13/02) have been ratified, whereby the obligations resulting from the Stabilization and Association Agreement of the Republic of Macedonia with the European Union, have been fulfilled (ANNEX VII).

The Law on Industrial Property covers all industrial property rights, i.e. the conditions for acquiring, term of validity, enforcement and protection of patents, industrial design, trade marks and appellations of origin of the products and geographical indications have been determined.

The protection of topographies of integrated circuits is realized through their registration, in accordance with the **Law on Protection of Topographies of Integrated Circuits** (Official Gazette of the Republic of Macedonia No. 5/98), and the Rulebook on the content and form of the application for registration on the Topography of integrated circuits (Official Gazette of the Republic of Macedonia No. 45/98) which have been harmonized with Directive 31987L0054 on the legal protection of semiconductor products.

The protection of the industrial property rights in the Republic of Macedonia is realized through the international systems for protection, in particular the Madrid Agreement and its Protocol for international registration of marks and the Hague Agreement for international registration of industrial designs, the Patent Cooperation Treaty for filing of international application of patents as well as the Cooperation Agreement in the field of patents with the European Patent Organization (EPO) which enables the extension of validity of

the European patent on the territory of the Republic of Macedonia. The Republic of Macedonia has submitted a letter of interest for membership in the European Patent Organization and inclusion in the patent protection system.

b. INSTITUTIONAL FRAMEWORK

The body competent for implementation of the Law on Industrial Property and the Law on Protection of Topographies of Integrated Circuits is the State Office of Industrial Property (SOIP), an independent state body which is self-financing. The competencies of the SOIP concern the enforcement of the administrative procedure for recognition of industrial property rights and registration of topography of integral circuits, but also the initiation of ratification of international agreements, monitoring their implementation, cooperation with international, European and regional organizations for industrial property, cooperation with other entities included in the system for protection of industrial property rights, promotion of industrial property protection and so forth. The SOIP represents the Republic of Macedonia and participates in the activity of the bodies and committees of WIPO, EPO, and in the international cooperation within the framework of the EU, WTO and bilateral free trade agreements. The total number of employees in the SOIP (in 4 departments and 8 units) is 23 civil servants. There is currently a vacancy announcement for employment of 3 persons and the selection is ongoing. The SOIP is self-financing body from their own revenues and such funds shall not be a burden to the Budget. For strengthening of the enforcement of the industrial property rights protection, the Government has adopted a Decision for establishment of a Coordinative Body for industrial property (Official Gazette of the Republic of Macedonia, No. 98/05) whose founding procedure is ongoing. The body shall be composed of representatives from the institutions included in the protection system and shall be competent for conducting a Program that should provide advancement of the level of protection of the rights and convergence to European standards.

The overall activity of the SOIP is supported by an IT system covering specialized software for conducting an administrative procedure for recognition of the industrial property rights. The IT system enables the realization of international communications with other national offices and international protection systems such as the EPO and the WIPO.

SHORT-TERM PRIORITIES

LEGISLATION

In order to enable further increasing of the level of industrial property protection, monitoring of international standards and harmonization of the national legislation with EU legislation, in the first quarter of 2006 a Law Amending the Law on Industrial Property will be adopted.

With the amendments of the Law on Industrial Property, Directive 31998L0044 on legal protection of biotechnological innovations shall be transposed; administrative measures for the activity of the State Market Inspectorate in cases of violation of the industrial property rights shall be introduced; and the conditions, subject of protection, entities and procedure for issuance of the supplementary protection certificates for medical products and plant protection products which have been regulated before by Rulebooks, shall be legally determined. In addition, **strengthening of the penal provisions** has been done through regulating the measure on confiscation of items by which violation of the industrial property rights was performed. Within six months of the adoption of the Law Amending the Law on Industrial Property, the harmonization of the bylaws shall be performed.

For the purpose of fulfilling the criteria for membership in the European Patent Organization, in 2006 the needs for harmonization of the national legislation will be reviewed. In addition other activities for ratification of the Convention on the Grant of European Patents from 15 October 1973 – the European Patent Convention will follow. The Cooperation Agreement with EPO in the field of patents will be renewed in April of 2006 and retain its validity until the accession to EPO.

An Initiative for amendments of the Criminal Code (Official Gazette of the Republic of Macedonia No. 37/96, 80/99, 4/02, 43/03, 19/04, 81/05), and other acts, with judiciary procedural character, shall be instigated for the purpose of harmonization of incriminated activities for violation of the industrial property rights within the Law on Industrial Property and the Directive 32004L0048.

In the first quarter of 2007 a procedure for ratification of the International Convention for Protection of New Variety of Plants shall be initiated.

INSTITUTIONS

In order to strengthen the capacity of SOIP (State Office of Industrial Property) the employment of new staff shall continue, as well as training of the staff, establishment of a functional database for violation of the industrial property rights and providing access to the databases of the Office, through the national CARDS 2004 Project. A new web site of SOIP shall be prepared, and the cooperation with the other participants in the system of the industrial property protection will be improved. Eight persons shall be employed in 2006, and another five persons will be employed in 2007.

The training of the employees of the Office, and to other subjects involved in the system for protection shall be realized through a regional CARDS Program, national and regional seminars, study visits and other activities within the frames of the cooperation with

WIPO, EPO and the bilateral cooperation and trainings organized by SOIP. These activities shall be a part of the obligations of the Coordinative Body for industrial property, which shall adopt an Annual Program for Training in the first quarter of 2006.

MEDIUM-TERM PRIORITIES

LEGISLATION

The harmonization of the national legislation in the field of industrial property with the EU Legislation shall be greatly accomplished by the adoption of the Law Amending the Law on Industrial Property. There shall be continuous monitoring of the international trends in the development of industrial property and the modifications in the EU legislation, as well as conducting adequate harmonization of the national legislation.

An initiative for ratification of the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks is planned for the first quarter of 2009, also the Patent Law Treaty, and the Trademark Law Treaty.

The accession to the Patent Law Treaty and the Trademark Law Treaty may be related to the need of amendments of the national legislation and its harmonization to the principles of these treaties. For that purpose, the necessary amendments shall be evaluated and the manner and terms shall be prescribed for harmonization of the Law on Industrial Property.

INSTITUTIONS

The Office plans an employment of four persons in 2008 and four persons in 2009, also two persons in 2010, thus providing the adequate number of employees according to the work posts. Having in consideration that the Office is financed from its own resources, additional funds shall be provided from its own revenues. The level of technical equipment shall be maintained and there shall be continuous training of the employees in the Office, as well as to other subjects involved in the system for protection. Furthermore expert assistance shall be used for evaluation of the need of harmonization of the Law on Industrial Property with the amendments of the international legislation.

3.7.3 ENFORCEMENT OF THE INTELLECTUAL PROPERTY RIGHTS

CURRENT SITUATION

a) LEGAL FRAMEWORK AND INSTITUTIONS

The realization of the intellectual property rights is regulated with the LCRR, LIP, LPTIC and procedural laws. The competent institution for implementation of the LCRR is the Ministry of Culture, which includes also an administrative surveillance on the collecting management. For implementation of the LIP and LCRR the competent body is the State Office for Industrial Property. According to LCRR, LIP, LPTIC, as well by other laws, the State Market Inspectorate, the Customs Administration, the Ministry of Internal Affairs and other state bodies and institutions are also competent institutions.

According to the Decision on Pronouncement of the Amendments to the Constitution (Official Gazette of the Republic of Macedonia, No. 107/05), certain administrative bodies and institutions, such as the **State Market Inspectorate** may pronounce sanctions without a court procedure. In relation to certain violations, determined by law, when other State bodies pronounce sanctions, judicial protection is guaranteed, under conditions determined by law. The Inspection surveillance for part of LCRR and completely for LIP is performed by the State Market Inspectorate within the Ministry of Economy, in cases of trade in goods which violate the intellectual property rights (counterfeiting and piracy). In the remaining cases of violation of the copyright and related rights, the inspection surveillance performs the Ministry of Culture. The new Law on Market Inspection (which is being prepared), prescribes new organization for improvement of the functioning, directed towards more efficient action in the protection of intellectual property rights. (The matter of the market inspection is described in detail in the chapter 3.01 Free Movement of Goods)

The competencies of the **Customs Administration** arising from the Law on Customs Measures for Protection of Intellectual Property Rights – (LCMPIPR), (Official Gazette of the Republic of Macedonia, No. 38/05), which regulates action of the customs services in case when there is violation of some of the intellectual property rights by import, export, re-export, temporary import or transit of certain goods. The Law has been harmonized with Regulation 32003R1383, which is related to customs activities against goods for which there is doubt that violate certain intellectual property rights, and the measures which shall be undertaken against the goods for which will be determined that have violated such rights. (the matter is presented in detail in the chapter – Customs Union)

In cases when the violation of the intellectual property rights gains dimensions of organized crime, the competent body shall be the **Ministry of Internal Affairs**. (the matter is presented in detail in the chapter Justice, Freedom, and Safety)

Judicial Protection of the intellectual property is realized through civil, misdemeanour and penal legal protection. Part of the civil-legal protection regarding the provisional and other measures, compensation of damages in a civil procedure, as well as provisions regarding misdemeanour protection and material violation of a misdemeanour nature have been determined in LCRR, LIP, and LPTIC. The penal protection has been regulated in the Criminal Code.

There are no specialized courts or other bodies in the Republic of Macedonia which are competent for settlement of disputes in the field of intellectual property. The competent courts are the Basic Courts, according to the territorial jurisdiction in first instance, the Courts of Appeal decides in second instance, and the Supreme Court decides upon extraordinary legal remedies, according to the Law on Courts (Official Gazette of the Republic of Macedonia No. 36/95, 45/95 and 64/03) and the Law on Civil Procedure (Official Gazette of the Republic of Macedonia No. 75/05). (The matter is presented in detail in the chapter Judiciary and Fundamental Rights)

SHORT-TERM PRIORITIES

Conditions shall be provided for effective enforcement and provision of efficient protection of copyright and related rights more measures and activities.

A functional system for enforcement of the rights shall be established in 2007, including establishment of database for realization of the copyright and related rights. For that purpose, necessary data shall be defined, and also an interactive system of communication shall be developed among the competent subjects and become operational. The database should be mostly compatible with the system of databases of the industrial property rights which is in the process of realization. The subjects involved in the realization and protection of copyright and related rights should be the beneficiaries thereof.

The measures and the activities for raising the awareness for the need of implementation of copyright and related rights are the following: promotion campaign for fight against piracy shall be realized in the second quarter of 2006; a web site for wider presentation of information regarding the realization and protection of copyright and related rights will be realized in the second quarter of 2006; as well as preparation of a Program for education and sensibilization of the subjects involved in the realization of the rights which should be realized in the second quarter of 2006.

The operative and repressive part of the enforcement shall consist of the following: organized activities for seizure and public destruction of seized pirated items, as well as inspection activities regarding each unauthorised use of the stated rights. Upon establishment of the database, through quarterly reports the system for provision of valid data related to enforcement shall be improved. The activities shall be of continuous nature.

The construction of the system for protection of the industrial property rights shall be achieved through the realization of the Program of the Coordinative Body for industrial property, which shall provide increasement of the efficiency in the enforcement of the industrial property rights and the fight against violation of these rights. Coordination of the activities and permanent cooperation of the subjects involved in the system shall be provided with exchange of information and experience. By the realization of the CARDS 2004 Project, a functional database for violation of rights shall be provided, as well as network connection among the subjects involved in the system. It is necessary to extend training of the employees in SOIP and to the other subjects involved in the system of protection. SOIP shall prepare a new web site, which shall provide availability of the data for reported and recognized industrial property rights to the public. In this manner, transparency in the operation shall be increased and there shall be preventive activities in direction of decreasing the violations of the industrial property rights through introduction of the protected rights to the public.

For effective implementation of LCRR, LIP, and LPTIC, an analysis shall be conducted of the penal provisions and other sanctions arising from the Law on Misdemeanour and the Criminal Code, and decisions for their strengthening shall be proposed. Upon the adoption of the Law on Misdemeanour, in the second half of 2006, for the purpose of harmonization of the penal provisions, LCRR, LIP, and LPTIC shall be amended.

In the process of **judiciary reforms**, within the frames of the new organization of the courts, there is a special consideration for the protection of intellectual property rights. There are reforms which shall provide direction of the cases in the field of intellectual property with other forms of organization of the courts (at the moment the proposal is to be Higher Courts), in special departments. There shall be specially trained judges according to the specifics in acting upon this type of cases. The new Law is under preparation. It shall be necessary to provide hardware and software equipment for the courts and prosecutor's offices which are involved in the system of protection and network connection with the databases.

MEDIUM-TERM PRIORITIES

In the medium term period until 2010 there shall be analyses regarding the level of harmonization of the national legislation with the Directive 32004L0048 related to the enforcement of the intellectual property rights, and accordingly activities for further harmonization of the national legislation shall be proposed. The enforcement of the protection of industrial property rights and the coordination of the activities of the subjects involved in the system for protection shall be monitored and promoted through the activities of the Coordinative Body for Industrial Property. It is necessary to conduct continuous professional training of judges and prosecutors, involved in the cases of violation of intellectual property rights.

INSTITUTION BUILDING REQUIREMENTS							
Budget No.	Institution	2006	2007	2008	2009	2010	Total
11002	State Office for Industrial Property	8	5	4	4	3	25
11002		8	5	4	4	3	25

Total							
18001	Ministry of Culture	6	0	3	0	0	9
18001							
Total		6	0	3	0	0	9
Total		14	5	7	4	3	34

FOREIGN ASSISTANCE

The regional CARDS Program intended for training of the employees in the institutions involved in the system for protection of intellectual property shall be realized by the end of the first half of 2006.

The establishment of a functional database for violations of the industrial property rights and the network connection between the subjects involved in the system for protection of industrial property shall be realized through the National CARDS 2004 Program, with estimated value of 200.000 EUR. The realization of the Project started in September 2005 and it is planned to be finished at the first half of 2006.

3.8 COMPETITION POLICY

3.8.1 COMPETITION POLICY

1. CURRENT SITUATION

1.1 LEGAL FRAMEWORK

The Law on Protection of Competition (Official Gazette of the Republic of Macedonia No 04/05) regulates the protection of competition in the Republic of Macedonia. The Law is aligned with the following EU measures: The Treaty establishing the European Community, Articles 81, 82 and 86 thereof, 31962R0017, 32002R0001, 31971R2821, 32004R0139, 31997Y1209(01) and 52001X1222(03).

The bylaws envisaged with the Law on Protection of Competition (LPC) were adopted in 2005:

- Regulation on block exemption granted to vertical agreements on exclusive right of distribution, selective right of distribution, exclusive right of purchase and franchise (aligned with 31999R2790);
- Regulation on block exemption granted to horizontal research and development agreements (aligned with 32000R2659);
- Regulation on block exemption granted to horizontal specialisation agreements (aligned with 32000R2658);
- Regulation on block exemption granted to technology transfer agreements, license or know-how (aligned with 32004R0772);
- Regulation on block exemption granted to agreements on distribution and servicing of motor vehicles (aligned with 32002R1400);
- Regulation on block exemption granted to agreements in the insurance sector (aligned with 32003R0358);
- Regulation on agreements of minor importance (aligned with 52001XC1222(03) and
- Regulation on the form and the content of the notification and criteria on concentrations' evaluation (aligned with 32004R0802 and 32004R0139).

1.2 INSTITUTIONAL FRAMEWORK

Institution authorised for drafting legal acts in the area of competition and implementation of the LPC is the Commission for Protection of Competition (CPC), formed in accordance with the LPC. The Commission is composed of a president and four members. The president and one member of the Commission are professionally engaged in the work of the Commission. The investigative and other, expert activities of the Commission, which also encompass drafting proposals and bylaws envisaged with the provisions of the Law, are performed by the Department of Qualified Personnel. Ten (10) persons are employed in the Department of Qualified Personnel of the Commission, of whom 3 (three) legal experts with a university degree, 4 (four) economists with a university degree, one philologist in English Language and Literature – interpretation department with a university degree and 2 (two) with high school degree. A Secretary-General manages the Department of Qualified Personnel, appointed by the Commission.

The Commission is authorised to supervise the application of the provisions of the LPC and the regulations adopted on the basis of the LPC; monitor and analyze the conditions on the market to the extent necessary for the development of free and efficient competition; conduct procedures and adopts decisions laying down rules and measures for protection of competition; measures for prevention of limitation and hindrance of competition; providing opinions regarding draft laws and other legal acts regulating issues that refer to economic activity and which may affect the competition on the market at the request of the Assembly, the Government of the Republic of Macedonia, other state bodies, companies or ex officio. The Commission provides expert opinions on issues in the area of competition policy and protection of competition on the market, as well as other issues laid down in the law.

Training and education of the members of the Commission and the Department of Qualified Personnel is carried out within the GTZ project, financed by the Government of Germany, the Twinning project, CARDS 2004 and the BERIS project financed by the World Bank.

2. SHORT-TERM PRIORITIES

2.1 LEGISLATION

The following activities have been envisaged as short-term priorities:

- Enacting a Law Amending the Law on Protection of Competition in the following context:
 - a new provision will be added in the article regulating the professional secrecy, according to which the enterprises will be obliged to justify the invoking of the principle of confidentiality in accordance with objective standards for the data and information submitted to the Commission, determined or marked as business or professional secrecy;
 - the limitation period for prosecution of cartels will increase from two to five years;
 - the authorisation of CPC to impose penalties for misdemeanours prescribed in the LPC, will be regulated with new provisions for imposing penalties, in accordance with the constitutional amendments.

By amending and consolidating the law, 32003R0001 will be implemented for applying the rules of competition stated in Article 81 and 82 of the Treaty establishing the European Community.

- Adopting Guidelines for application of the Law and the bylaws, adopted by the Commission at the proposal of the Department of Qualified Personnel;
- Signing a memoranda for inter-institutional cooperation through submitting data, information, joint research and other kind of cooperation in the protection of competition between the Commission on the one hand and the regulatory bodies, the State Aid Commission and state bodies, consumer associations, faculties and scientific-research institutes on the other and
- Publishing a brochure with the Law and the bylaws.

2.2 INSTITUTIONS

The Commission for Protection of Competition is an independent state body with the status of a legal entity. The Commission is independent in its work and in adopting decisions within its competencies. The budget of the Commission is provided from the Budget of the Republic of Macedonia. By the end of 2007, the number of the employees is planned to increase for 8 (eight) employees with a university degree.

In the course of 2006, CPC will be situated in new premises.

During 2006, there are plans to create a web-page of CPC and publish the CPC decisions.

In the course of 2006 and 2007, training will be organised for the members of the Commission and the employees in the Department of Qualified Personnel of the Commission for efficient enforcement of the protection of the competition in the market.

3. MEDIUM-TERM PRIORITIES

3.1 LEGISLATION

- Adopting a Law Amending the Law on Protection of Competition by amending the article that regulates the block exemptions with new paragraphs, defining the agreements in the area of air traffic. With this amendments 31987R3976 and 31993R1617 shall be implemented.
- Further harmonisation of the national legislation with acquis.

3.2 INSTITUTIONS

Training of the members of the CPC and the members of the Commission for Appeals in the field of Competition is planned, as well as training of the employees in the Department of Qualified Personnel, for enforcement of the LPC, in particular regarding the authorisation of the CPC to impose fines for misdemeanours prescribed in the LPC.

INSTITUTION BUILDING REQUIREMENTS							
Budget No	Institution	2006	2007	2008	2009	2010	Total
02005	Commission for Protection of Competition	3	5	0	0	0	8
2005 Total		3	5	0	0	0	8

4. FOREIGN ASSISTANCE

GTZ, German Association for Technical Aid – support for CPC through organising conferences, seminars and workshops, organising regional meetings, training of the employees in CPC with study trips in the German Competition Authority, study trips in the countries in transition, support for the improvement of the English language knowledge, financing the participation in international and regional meetings and seminars and publishing brochures with the Law on Protection of Competition and the bylaws;

Twinning, Approximation of the legislation in the competition policy and strengthening of the administrative capacity of the body for competition protection– training through presence of a permanent expert from Germany in the CPC and of short-term experts from specific areas in order to gain knowledge, skills and best practices in the efficient protection of competition in the market and

BERIS, Business environment reform and institutional strengthening project – through operative support of the CPC activities for developing a monitoring system, expert aid in the development of the procedures and mechanisms for institutional communication between the Commission and the regulatory and other bodies, activities for promotion and affirmation of competition policy and transparency in the CPC work through establishing a separate phone line for consumers' complaints.

3.8.2 STATE AID

1. CURRENT SITUATION

1.1 LEGAL FRAMEWORK

The legislation for state aid covers the Law on State Aid (Official Gazette of the Republic of Macedonia No. 24/03), as well as the bylaws adopted on the basis of the Law:

- Regulation on the forms and procedure of notification to the state aid commission and for assessment of state aid (Official Gazette of the Republic of Macedonia No 81/03);
- Regulation on establishing conditions and procedure for granting aid for rescuing and restructuring of firms in difficulty (Official Gazette of the Republic of Macedonia No. 31/03) and
- Regulation on Establishing Conditions And Procedure For Granting Regional Aid (Official Gazette of the Republic of Macedonia No 81/03).

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

1.2 INSTITUTIONAL FRAMEWORK

Pursuant to Article 9 of the Law on State Aid, a State Aid Commission, composed of three persons, was formed in June 2003. Two persons have been appointed on the proposal of the Minister of Economy, and one person – on the proposal of the Minister of Finance.

Since February 2003, State Aid Unit within the Sector for European Integration in the Ministry of Economy has started working. The State Aid Unit operates pursuant to Article 9(7) of the Law on State Aid. In the State Aid Unit one person is permanently employed. A total number of five state aid seminars were organised concerning the drafting and the start of implementation of the state aid legislation, with technical assistance from GTZ.

In the period September-November 2003, internship for one person was organised in the corresponding institutions for competition and state aid in the Baden-Wurttemberg province.

In October 2003, GTZ organised a study trip to the Commission and the State Aid Unit of the State Aid Sector in the Republic of Slovenia. With technical assistance from GTZ, participation on a seminar for state aid was provided in November 2003 within the European Legal Academy in Trier.

A three-day TAIEX seminar for state aid was organised in October 2004 within the TAIEX programme. A seminar for state aid was organised in Skopje in October 2005 by TAIEX. In January 2006, a series of seminars for state aid providers were organised by the ATL project from the CARDS programme 2004.

2. SHORT-TERM PRIORITIES

2.1 LEGISLATION

Ongoing is the process of drafting a bylaw – Regulation on establishing conditions for granting state aid in specific areas and forms and drafting amendments to the Regulation on establishing conditions and procedure for granting aid for rescuing and restructuring of firms in difficulty. Technical assistance has been provided for that purpose within the project Approximation of the Trade Legislation, CARDS 2004.

The Regulation on establishing conditions for granting state aid in specific areas and forms shall be aligned with the following EU measures: 52002XC0508(02); 31998Y0213(01); 32004R0364; 31997Y0710(01); 31996Y0217(01); 32002R2204; 32001Y0203(02); 32000Y0311(03) и 32001R0068.

With the planned amendments, the Regulation on establishing conditions and procedure for granting aid for rescuing and restructuring of firms in difficulty shall be aligned with 52004XC1001(01).

2.2 INSTITUTIONS

There is an ongoing review of the status of the State Aid Commission, in the direction of achieving independence of the institution which decides on state aid issues.

In the course of 2006, it is planned to increase the number of employees in the State Aid Unit for four (4) new employees.

There are plans for training of the employees in the State Aid Unit regarding the part of investigative techniques and case handling, as well as training for the state aid providers.

3. MEDIUM-TERM PRIORITIES

3.1 LEGISLATION

Further harmonisation of the national legislation with acquis.

There are plans to adopt methodology for setting the level of compensation for companies entrusted with the performance of services of general economic interest.

Special attention will be paid to harmonisation of the industrial policies with the state aid regulations.

3.2 INSTITUTIONS

There are plans to transform the State Aid Unit in the State Aid Sector and to employ additional three (3) new employees with university degree in 2008.

INSTITUTION BUILDING REQUIREMENTS							
Budget No	Institution	2006	2007	2008	2009	2010	Total
10001	Ministry of Economy – State Aid Unit	4	2	1	0	0	7
10001 Total		4	2	1	0	0	7

4. FOREIGN ASSISTANCE

BERIS, Project for reforms in the business environment and strengthening of the institutions. - long-term project (until 2009) – covers drafting the amendment of the Regulation on establishing conditions and procedure for granting aid for rescuing and restructuring of firms in difficulty; procurement of equipment for the new employees, seminars and trainings.

3.9 FINANCIAL SERVICES

3.9.1 BANKING

CURRENT SITUATION

As of December 31, 2005, the banking system of the Republic of Macedonia comprised of 19 banks and 14 savings houses, with the banks playing the dominant role with 98.6% share in the total potential of the financial system. From a viewpoint of the ownership structure, the share of the state-owned banks is below 5% of the total capital of the banking system, while foreign capital is present in 16 banks. In eight of these banks, foreigners are majority owners. As of June 30, 2005, the share of these banks in the total capital is 50.1%, i.e. 51.8% in the total assets at the level of the banking sector. Four out of these eight banks are subsidiaries of foreign banks. Only one bank in the Republic of Macedonia is fully state-owned, and its share in the total capital of the banks in the Republic of Macedonia is 1.6%. Its main activity is lending for development projects solely through the other commercial banks in the country, as well as export insurance.

a) LEGAL FRAMEWORK

The existing **Banking Law** (Official Gazette of the Republic of Macedonia No. 63/2000, 37/2002, 51/2003 and 85/2003 regulates the founding of banks in the Republic of Macedonia, determines the amount of capital required for conducting financial activities, defines the financial activities which the banks may perform depending on the amount of the capital, determines the supervisory standards and limits the banks are obliged to adhere to in the course of their operations, defines the bank's bodies and bank management, provides the basic accounting and auditing principles, determines the main elements of the supervision of banks' operations conducted by the National Bank of the Republic of Macedonia, defines the measures which could be undertaken to improve the condition in the banks, and defines the activities in the case of bankruptcy and liquidation of a bank. On the basis of this Law, the National Bank adopted adequate bylaws, which regulate in more details the obligations and requirements stipulated under the Law. The supervisory decisions incorporate the contemporary Basel principles and practices for prudential operations of banks, and they regulate the main supervisory standards, such as: calculation of the banks' capital adequacy ratio, credit risk assessment by prescribing a methodology for risk classification of banks' assets, country risk identification, measurement and monitoring, identification, measurement and monitoring of the credit concentration limits, liquidity risk assessment and monitoring, etc. Also, legal grounds were provided for functioning of a Credit Registry in the National Bank of the Republic of Macedonia, which contains information on the banks' credit exposure to single clients. At the same time, the National Bank prescribed standards for banks' information systems security.

According to the Banking Law, a bank may be established by domestic and foreign legal entities and natural persons. A foreign bank may establish a subsidiary in the Republic of Macedonia. Subsidiaries are legal entities registered in the Republic of Macedonia (commercial presence) in which another entity or a group of individuals work together and hold 50% or more of the voting shares or have common interest. In line with the assumed obligations arising from the admission of the Republic of Macedonia to the World Trade Organization, provision of banking services through branches of foreign banks will be permitted by January 1, 2008, at the latest. By that time, the legislation will be transposed regarding the branches of the credit institutions from the European Union and from third countries. Regarding the establishment of a foreign bank subsidiary there are no restrictions relative to the rights of founding and rendering of services. Foreign bank subsidiaries are established under the same conditions and in the same procedure as the banks founded by domestic legal entities and natural persons.

In 2004, within the technical assistance provided by the European Agency for Reconstruction, an assessment was made of the compliance of the Macedonian legislation in the area of banking with the appropriate European directives. -The assessment revealed high level of implementation of the European regulations, and it was identified that appropriate regulations should be developed, governing the following four areas: market risk treatment, founding and operations of foreign bank branches, defining of financial conglomerates and their supervision, founding and operations of institutions which issue means of payment in the form of electronic money. These areas are part of the short-term and medium-term priorities for approximation to the European legislation in the domain of banking operations and banking supervision.

b) INSTITUTIONAL FRAMEWORK

Competent body for adoption of legal regulations in the area of banking is Ministry of Finance, i.e. the Unit for Banking System within the Sector for Financial System. This unit has two employees.

The National Bank of the Republic of Macedonia is the competent institution for implementation of the Banking Law and for adoption of the bylaws arising from the Law.

The National Bank issue licenses and carries out supervision of the banks, savings houses, exchange bureaus and providers of fast money transfer.

SHORT-TERM PRIORITIES

At the end of 2006 the following amendments and consolidations in the banking regulation are expected:

broadening of the definition of connected entities that provides for full compliance with the manner of defining connected entities; revising of the definition of the term "control" and "subsidiary" which will lead to compliance with the definitions in the EU Directive 32000L0012 and EU Directive 31983L0349; increasing the requirement of separate own funds needed for founding and operating of a bank that means accepting of article 5, paragraph 1 of the EU Directive 32000L0012; introducing a criterion for revoking a license for founding and operating of a bank when the bank fails to perform the banking operations in a period longer than 6 months, instead of 12 months until now; revising of the permitted amount of banks' investments in land, buildings, equipment and capital investments in non-financial institutions; improving the corporate governance of the banks through strengthening of the role and responsibilities of the managing bodies, internal control systems, the role of the external auditor, increasing the transparency in executing financial activities, strengthening of the accounting standards etc.; improving the procedure of introducing and executing receivership, bankruptcy and winding up of a bank.

Development of regulation for inclusion of market risk in determining the capital adequacy of the banks also represents a short-term objective. Adoption of this regulation will provide for harmonization with the Basel Principle 12, while at the same time the provisions of the following EU Directives will be accepted: 31993L0006, 31998L0031, 31998L0031

In order to improve the accounting recording of the banks and to achieve harmonization and full implementation of the international standards in the area of accounting, by the end of 2006 it is envisaged to develop a unified chart of accounts for the banks that will be in conformity with IFRS and adequate accounting policies and rules for recording, as well as to prescribe the form of financial reporting.

MEDIUM-TERM PRIORITIES

Apart from the short-term priorities that have to be realized in the course of 2006, the following activities represent medium-term priorities that have to be executed in order to obtain harmonization with the EU Directives in the area of banking:

- Adequate amendments to the existing legal regulations that will allow for founding and operating of foreign banks' branches in the Republic of Macedonia. In accordance with the assumed obligation towards the World Trade Organization and in accordance with AP EP, this activity should be completed by 2008. Completion of this activity will enable harmonization with the EU Directive 32000L0012.
- Regulation of the electronic money institutions. In accordance with AP EP this activity should be completed by the end of 2007. This would enable full implementation of the EU Directive 32000L0046
- Definition of the range of the financial conglomerates and their supervision. This activity should be completed by 2008, which would enable harmonization with the EU Directive 32002L0087

3.9.2 INSURANCE AND PENSION INSURANCE

CURRENT SITUATION

At the end of 2005 the insurance market in the Republic of Macedonia was consisted of 10 insurance companies of which one has a license to operate non-life and re-insurance activities, another one to perform life insurance only, while the remaining eight companies are registered exclusively for non-life insurance activities. At the end of 2005 the share of foreign capital in the total shareholding capital of the insurance companies equalled 62.5% (in four insurance companies the share of foreign capital amounts to 100%). The total calculated gross premium in 2005 stood at Denar 5,105 million, of which only 2.15% was related to life assurance.

In 2000, in the Republic of Macedonia the foundations were laid down of the overall pension system as a three-pillar pension system which is part of the social insurance. The first pillar represents the state Pension and Disability Insurance Fund of Macedonia, which functions as a pay-as-you-go system. The second pillar represents a mandatory fully funded pension insurance. It comprises two pension fund management companies, managing one pension fund each. The companies were established in 2005 and are licensed to manage a pension fund for 10 years. In the first five years of the functioning of the second pillar, custodian of the pension funds' assets is the National Bank of the Republic of Macedonia. The first payments in the private pension funds were made in January 2006. The two pension funds management companies are with mixed founding capital, domestic and foreign, with the share of the foreign capital totalling 51%. The second pillar will represent a voluntary fully funded pension insurance.

The pensions from the first pillar are in the form of defined pensions. The pensions from the second pillar are in the form of defined contributions and will be paid as perpetual annuities by an institution authorized for that purpose, or as programmed withdrawals from the pension fund, by choice of the member.

a) LEGAL FRAMEWORK

The basic legal framework that regulates the requirements and the manner of conducting insurance operations, supervision of the operations of the insurance companies and insurance brokerage houses and intermediation and representation in insurance comprises the **Law on Supervision of Insurance** (Official Gazette of the Republic of Macedonia No. 27/02, 84/02, 98/02 and 33/04), **Law on Mandatory Transport Insurance** (Official Gazette of the Republic of Macedonia No. 88/05), **Law on Obligations** in the

segment pertaining to insurance contracts (Official Gazette of the Republic of Macedonia No. 18/01, 4/02 and 5/03) and the **Company Law** (Official Gazette of the Republic of Macedonia No. 28/04).

The Law on Supervision of Insurance, that was adopted in April 2002, incorporates the principles and standards for insurance of the International Association of Insurance Supervisors (IAIS). By the adoption of the Law the domestic legislation in the area of insurance was to a high extent harmonized with the relevant legislation of the European Union. The Law mostly aims at establishing strict rules for risk management. Insurance company may be founded only as a joint stock company with headquarters in the Republic of Macedonia. In order to establish insurance company a license is needed issued by the Ministry of Finance that may be related to one or more classes of insurance within one of the groups of insurance, that is non-life insurance and life assurance. Insurance company may be founded by domestic and foreign natural persons and legal entities. In line with the assumed obligations arising from the admission of the Republic of Macedonia to the World Trade Organization, insurance related activities on the territory of the Republic of Macedonia through branches of foreign insurance companies will be permitted by January 1, 2008, at the latest, pending on obtaining a license from the Minister of Finance for insurance related activities. As of the date on which the Republic of Macedonia will become a full member of the European Union, an insurance company from a member state of the European Union may conduct insurance related activities on the territory of the Republic of Macedonia through a branch or directly, if the competent supervisory body of the member state informs the Ministry of Finance on the data requested in accordance with the Law on Supervision of Insurance, which is regulated in the transitional provisions of the Law.

Mandatory transport insurance is regulated by the **Law on Mandatory Transport Insurance** (Official Gazette of the Republic of Macedonia No. 88/05), which is prepared in the direction of improving the system of mandatory insurance in the Republic of Macedonia and implementation of the European Directives and principles in the area of automobile liability insurance (in particular IV Motor Directive). The Law envisages greater protection of the interests of damaged persons - victims in traffic accidents through an increase in the amounts of insurance and their gradual harmonization with the amounts of insurance adopted by EU Directives, regulation of the deadlines for reporting and compensation of damages by the insurance companies, determination of the right for mediation, facilitation of the cross-border provision of insurance services by establishing a so-called representative for damages, strict regulation of the authorizations of the Guaranty Fund, establishment of a Unit for compensation of damages as well as a change in the manner of determining the tariffs of premiums through establishing of a Commission for determining insurance premium of the automobile liability insurance (this solution will be effective until the moment the Republic of Macedonia joins the EU).

The pension system in the Republic of Macedonia is regulated by the Law on Pension and Disability Insurance (Official Gazette of the Republic of Macedonia No. 80/93, 3/94, 14/95, 32/96, 24/00, 96/00, 5/01, 50/01, 85/03, 40/04, 4/05 and 101/05), the Law on Mandatory Fully Funded Pension Insurance (Official Gazette of the Republic of Macedonia No. 29/02, 85/03, 40/04 and 113/05) and bylaws that regulate further the relevant area.

The Law on Pension and Disability Insurance regulates the structure of the three-pillar pension system.

The Law on Mandatory Fully Funded Pension Insurance regulates the foundation and operation of the pension fund management companies, membership in the pension funds, reporting, fees, investing and valuation of the assets of the pension funds, custody of the assets of the pension funds, foundation and functions of the Agency for Supervision of Fully Funded Pension Insurance, as well as other issues that are important for the mandatory fully funded pension insurance.

b) INSTITUTIONAL FRAMEWORK

Competent body for adoption of the legal regulation in the area of insurance and conducting supervision of the operations of the insurance companies and insurance brokerage houses in the Republic of Macedonia is the Ministry of Finance, in which the following two units are responsible for the insurance system: the Unit for insurance system (2 employees) within the Sector for Financial System, responsible for preparation of the laws and bylaws in the area of insurance and licensing of insurance companies, insurance brokerage houses, insurance brokers and actuaries and the Unit for Supervision of Insurance (3 employees) within the Sector for matters directly related to the Minister, in charge of conducting on-site and off-site supervision of the operations of the insurance companies and insurance brokerage houses.

The largest portion of the technical assistance provided in the area of insurance in the period 2000-2005 was directed towards the improvement of the legal regulations governing insurance and their harmonization with the EU Directives. Professional training of the employees in the Ministry of Finance for practical implementation of the legal regulations (conducting of supervision in accordance with the standards and principles of IAIS) has been provided within 2 projects financed through the CARDS programs:

In the period from October 2004 until February 2005, within the project for Technical assistance to the Ministry of Finance for institutional capacity building - "Technical Assistance to the Ministry of Finance for institutional capacity building" (Framework contract AMS/451 Lot No. 10. DGIUGLARIS061-CARDS-EAR-SK), six courses were organized aimed at improvement and strengthening of the professional capacity of the employees in the Ministry of Finance (Unit for Insurance System and Unit for Supervision of Insurance), employees in the insurance companies and National Bureau for Insurance. The courses encompassed the following subjects: Actuary,

Green card, Life assurance, Fundamentals of financial operations and automobile liability insurance and European practice and experience (Solvency II, Risk analysis).

The project for technical assistance to the Ministry of Finance in the field of insurance supervision "Technical Assistance to the Ministry of Finance in the field of insurance supervision" Framework contract AMS/451 Lot No. 8. DGIUGLARIS066-CARDS-EAR-MK), that started in July 2005 and ended in December 2005, was aimed at strengthening of the supervisory practices and procedures of the Ministry of Finance in accordance with the basic standards and principles of the International Association of Insurance Supervisors (IAIS).

In addition, within the third stage of the Project for reform of the system of mandatory transport insurance, financed by the FIRST Initiative - Implementation of the Law on mandatory transport insurance that started after the adoption of the new Law on Mandatory Transport Insurance in October 2005, technical assistance will be obtained in the period January - June 2006 aimed at preparation of a new tariff for the automobile liability insurance premium and Criteria for compensation for non-financial damage.

Regarding the pension system, the competent institutions for adoption of laws and bylaws are the Ministry of Labour and Social Policy, Pension and Disability Insurance Fund of the Republic of Macedonia and the Agency for Supervision of Fully Funded Pension Insurance. The Ministry of Labour and Social Policy is the designer of the pension policy, the Pension and Disability Insurance Fund of the Republic of Macedonia effectuates the pension and disability insurance, including the collection of contributions for the two pillars and their distribution between the first and the second pillar, while the Agency for Supervision of Fully Funded Pension Insurance carries out supervision of the operations of the companies for pension funds management and the pension funds, as well as protection of the interests of the members.

SHORT-TERM PRIORITIES

In the course of **2006**, aiming at further harmonization with the EU Directives and adoption of the European insurance principles and standards, especially in the part of strengthening the independence of the supervisory body, the Ministry of Finance will prepare a Draft Law Amending the Law on Supervision of Insurance. Foundation for preparation of the amendments to the Law will be the detailed Analysis of the degree of harmonization of the insurance legal framework with the relevant EU Directives and principles and standards of the International Association of Insurance Supervisors, prepared within the framework of the project for Technical assistance to the Ministry of Finance in the area of insurance regulations, financed by the CARDS program (Framework contract AMS/451 Lot No. 10. DGIUGLARIS060-CARDS-EAR-MK). The amendments in the Law on Supervision of Insurance will enable establishment of a legal framework for founding and functioning of an independent supervisory body in the area of insurance, which is an activity planned to be realized in the first half of 2007.

In the course of 2007, about 15 bylaws will be adopted, which arise from the Law on Supervision of Insurance and in more detail regulate certain aspects of the operations of insurance companies, such as the manner of allocating technical reserves, investing of the funds covered by the technical reserves, the manner of calculating the capital and the required level of solvency margin, calculation of liquidity ratios, detailed content of the annual report of the insurance companies, detailed content of the audit report, new chart of accounts and forms of financial statements of insurance companies etc. Adoption of the above-mentioned bylaws will provide for development of the regulation and its further harmonization, especially with the Directive 31991L0674 that is related to the consolidated accounts of the insurance undertakings, as well as the three generations of Directives for non-life insurance and life assurance in the segment of detailed regulation of the needed level of solvency margin and the capital of insurance companies, monitoring of liquidity and other measures for risk management.

MEDIUM-TERM PRIORITIES

In a medium run the Ministry of Finance envisages further harmonization of the national insurance regulation with the Directives and other regulations of the European Union, especially with regard to the implementation of the provisions related to co-insurance, electronic trade, financial conglomerates and other regulations that will be in force in the European Union. The legal framework in the area of supervision will be additionally developed also by full transposition of the following EU Directives:

Directive 31978L0473 - co-insurance;

Directive 31984L0641 - tourist assistance

Directive 31987L0343 - credit insurance;

Directive 31987L0344 - legal expenses insurance;

Directive 31991L0674 - consolidated accounts

Directive 31998L0078 - supplementary supervision of insurance undertakings in an insurance group;

Directive 32001L0017 - reorganization and winding up of insurance companies;

Directive 32002L0013 - solvency margin requirements;

Directive 32002L0087 - financial conglomerates;

Directive 32002L0092 - insurance mediators.

Regarding the mandatory transport insurance, in the medium run harmonization with the V EU Directive (V Motor Directive) on automobile liability insurance is envisaged.

Regarding the institutional and administrative capacity, in a medium run full operational functioning of an independent supervisory body is envisaged, which will have capacity to conduct adequate, professional and continuous supervision on the operations of the insurance companies and insurance brokerage houses.

In a medium run the priority in the area of pension insurance is continuation of the initiated reforms, primarily by rounding up the legal framework by adoption of the Law on Voluntary Fully Funded Pension Insurance and the Law on Payment of Pensions. Deadline for adoption of the two laws is 2008, where the Ministry of Labour and Social Policy, as it has been the case so far, is the designer of the pension policy, while the Agency for Supervision of Fully Funded Pension Insurance conducts supervision of the fully funded pension insurance and of the payment of pensions from fully funded pension insurance. Also, regarding the Law on Payment of Pensions, from the point of view of the mandatory fully funded pension insurance, it is envisaged the programmed withdrawals to be done directly from the pension funds, and annuities to be paid by a special institution authorized for this purpose. The laws will also determine other competent institutions. Short-term and medium-term priorities with regard to these issues are described in more detail in Chapter 02 - Freedom of movement of people, sub-title 3.2.4. Coordination of the system of social security.

INSTITUTIONS

In order to strengthen the supervision of the insurance sector, establishment of an Agency for Insurance Supervision is envisaged. Capacity building in this area will take place according to the following timetable:

INSTITUTION BUILDING REQUIREMENTS							
Budgetary number	Institution	2006	2007	2008	2009	2010	Total
09001	NEW: Agency for Insurance Supervision	0	9	4	2	2	17
09001 Total		0	9	4	2	2	17
Total		0	9	4	2	2	17

3.9.3 CAPITAL MARKET

CURRENT SITUATION

The trading with securities on the capital market in the Republic of Macedonia takes place on the Macedonian Stock Exchange that was established in 1995. On the capital market in the Republic of Macedonia there are 17 licensed participants on the Stock Exchange, of which 11 are brokerage houses and 6 are banks that have special sectors for transactions with long-term securities. The share of foreign capital in the equity capital of 11 brokerage houses is 5.32%.

a) LEGAL FRAMEWORK

The legal framework that regulates the capital market is consisted of:

Law on Securities (Official Gazette of the Republic of Macedonia No. 95/05), as a main law that regulates the securities and

Law on Investment Funds (Official Gazette of the Republic of Macedonia No. 9/2000).

The new Law on Securities regulates certain novelties, such as: facilitated possibility for the foreign brokerage houses to have subsidiaries in the Republic of Macedonia and arranging of a more organized system for establishment of subsidiaries in the country by Macedonian brokerage houses; the law envisages more detailed guidelines for keeping records and keeping the book of registry by the brokerage houses; it introduces provisions for founding and operating of companies for investment advising and investment advisors; there is a more precise definition of disclosure requirements for by joint stock companies that are registered in the Register of the Securities and Exchange Commission as joint stock companies with special reporting obligations, as well as completely new obligations for reporting to the employees, members of their managing bodies, directors and separate shareholders; every single shareholder who owns more than 5% of the securities of the company with special obligations for reporting must disclose to the Securities and Exchange Commission all the transactions and non-trade transfers of that company with special obligations for reporting;

According to the Law on Securities, a brokerage house may be established by domestic or foreign natural persons or legal entities.

A foreign brokerage house, which is licensed to render all or some of the services with securities in any of the Member States of the Organization for Economic Cooperation and Development, may render the same services on the territory of the Republic of Macedonia through its own subsidiary that has obtained an operating license from the Commission.

During the preparation of the new Law on Securities the following EU Directives were used:

- 32004L0039 - Directive on Markets in Financial Instruments;
- 31993L0006 - Directive on the Capital Adequacy of Investment Firms and Credit Institutions;

- 32003L0071 - Directive on the Prospectus to be Published When Securities are Offered to the Public or Admitted to Trading;
- 32001L0034 - Directive on the Admission of Securities to Official Stock Exchange Listing and on Information to be Published on Those Securities; and
- 32003L0006 - Directive on Insider Dealing and Market Manipulation (Market Abuse).

The legal framework for regulation of the area of operation of the investment funds consists of the Law on Investment Funds (Official Gazette of the Republic of Macedonia No. 9/2000) and the bylaws arising from this Law.

According to the **Law on Investment Funds**, the investment funds are established in order to pool funds that are to be invested, raised by investors through a public announcement, that are managed on behalf of the investors by a fund management company. The Law envisages two types of investment funds: open-ended and close-ended.

Fund Management Company is established once an operating license is granted by the Commission. One company may manage more than one fund.

In the Law on Investment Funds the following EU Directives are implemented:

1. 31985L0611 - Directive on the Coordination of Laws, Regulations, and Administrative Provisions Relating to Undertakings for Collective Investment in Transferable Securities and
2. 31993L0022 - Directive on Investment Services in the Securities Field. This Directive is replaced by Directive 32004L0039

In the Republic of Macedonia no investment fund has been in operation yet. Nevertheless, the development of the capital market in the previous years and the appearance of new securities on the capital market, issuance of Government bills that started in January 2004 and the start-up of the two pension funds since October 2005 are expected to contribute to the increase in the motivation for establishing investment funds in the Republic of Macedonia.

In line with the assumed obligations arising from the admission of the Republic of Macedonia to the World Trade Organization, provision of services in the Republic of Macedonia by foreign companies for investment fund management will be permitted starting from January 1, 2008.

b) INSTITUTIONAL FRAMEWORK

Competent body for preparation of the legal regulations in the area of the capital market in the Republic of Macedonia, in particular the Law on Securities and the Law on Investment Funds is the Ministry of Finance in cooperation with the Securities and Exchange Commission.

The bylaws arising from the Law on Securities and from the Law on Investment Funds are adopted by the Securities and Exchange Commission.

Within the Ministry of Finance, in the Sector for Financial System operates a Unit for Capital Market (with two employees), responsible for preparation of regulation in the area of capital markets, and undertaking of necessary activities for timely adoption of the laws under the competence of the Unit for Capital Market.

Securities and Exchange Commission regulates and controls all the participants in the operations with long-term securities on the territory of the Republic of Macedonia and within its legal competencies and authorizations is responsible for lawful and efficient functioning of the long-term securities market and for protection of the investors' right, in order to continuously strengthen the confidence of the general public in the institutions on the long-term securities market in the Republic of Macedonia.

According to the new Law on Securities, Securities and Exchange Commission operates as an autonomous and independent regulatory body, having public authorizations set by this Law, and executes the following functions: undertakes measures for implementation of this law and of the laws under its competence; adopts bylaws based on the laws under its competence, takes measures for implementation of the bylaws based on the laws under its competence; controls all the documentation of the issuers of securities, takes measures and adopts decisions on protection of interests of entities that are owners or invest in securities; issues licenses, permissions and approvals based on this Law and other laws under its competence; regulates the manner of trading with securities on the stock exchanges; monitors the operations of the participants in the securities market; monitors and controls the functioning of the securities market; controls the operations of the participants in the securities market; sets standards for competition among the participants in the securities market, and among the licenses fund management companies, i.e. investment funds by way of controls or otherwise; issues approvals for appointment of managers of legal entities participants in the securities markets, including managers of the organization unit of the bank that is responsible for rendering securities relates services, as well as managers of investment fund management companies as stipulated in the Law on Investment Funds; approves the requests for issuance of securities; makes sure that the securities market is operating legally, prudently and transparently; approves the adoption and all the amendments to the acts of the depositary and the stock exchange, and other functions.

Internationally, the Securities and Exchange Commission has signed so far 8 bilateral Memoranda of Cooperation with the appropriate regulatory bodies of Slovenia, Albania, Federation of Bosnia and Herzegovina, Bulgaria, Montenegro, Croatia, Turkey and Romania. Domestically, the Securities and Exchange Commission has concluded a Memorandum of Cooperation and Exchange of Information with the National Bank of the Republic of Macedonia (NBRM) and the Agency for Supervision of Fully Funded Pension Insurance (ASFFPI).

Since 1994 the Securities and Exchange Commission has been a regular member of the International Organization of Securities Commissions (IOSCO).

SHORT-TERM PRIORITIES

By the end of 2006, the Securities and Exchange Commission will adopt all bylaws arising from the new Law on Securities.

In order to improve the legal framework governing the operations of the investment funds in the Republic of Macedonia and to implement part of the European Directives in this area, the Ministry of Finance plans to draft a new Law on Investment Funds, which would implement the following directives:

- 31985L0611 - Directive on the Coordination of laws, regulations, and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)
- 32001L0107 - Directive amending 31986L0611 - Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) with a view to regulating management companies and
- 32001L0108 - Directive amending 31986L0611 - Directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) with a view to regulating management companies and simplified prospectuses.

MEDIUM-TERM PRIORITIES

In a medium run, the Ministry of Finance plans to harmonize further the regulations governing the capital market with the EU Directives, as well as their implementation by the participants in the money market in the Republic of Macedonia.

The development of the laws and bylaws within the competence of the Securities Commission within the framework of this Chapter will require the engagement of domestic and foreign experts, as well as participation of the employees of the Ministry of Finance and the members of the Securities Commission in additional adequate training courses.

3.10 INFORMATION SOCIETY AND MEDIA

3.10.1 TELECOMMUNICATIONS AND INFORMATION TECHNOLOGY

CURRENT SITUATION

a) LEGAL FRAMEWORK

The Law on Electronic Communications (Official Gazette of the Republic of Macedonia No. 13/05) lays down the conditions and manner of carrying out operations in the field of electronic communications, it creates conditions for complete liberalisation within the electronic communications, especially in relation to infrastructure building, then it enables access and interconnection to public communication networks of other operators and providers of public communication services and provides a simpler procedure for the commencement of communication activities. The Law incorporates all the relevant EU measures.

Secondary legislation

Up to December 31, 2005 and in relation to the Law on Electronic Communications (Official Gazette of the Republic of Macedonia No. 13/05), 29 bylaws have been adopted, out of which the following refer to the telecommunications market liberalization and introduction of competition:

Rulebook on the content and the form of notification, the necessary documentation and the certificate of registration (Official Gazette of the Republic of Macedonia No. 58/05)

This Rulebook stipulates the prerequisites to be provided before the commencement of construction and/or use of public electronic communication networks and/or the provision of public electronic communications services and changing or terminating the provision of public electronic communication networks and services.

Rulebook on the level of detail of the information which will be published in the interconnection reference offers and the manner of their publishing (Official Gazette of the Republic of Macedonia No. 61/05)

This Rulebook stipulates the requirements for providing interconnection between the public communication networks, the obligations of the operators of public communications networks regarding the conclusion of interconnection agreements, as well as the obligation of the operators with significant market power to submit their reference offers to the Agency for Electronic Communications for approval.

Rulebook on the contents and the form of the request for allocation of numbers and number lots and data attached to the request (Official Gazette of the Republic of Macedonia No. 58/05).

Plan on numeration of the public communication networks and services in the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 58/05).

Rulebook on the access to and usage of the specific network assets (Official Gazette of the Republic of Macedonia No. 64/05).

This Rulebook stipulates the requirements to be met in order to enable physical access to and use of specific network elements and associated assets for the operators of public electronic communication networks, under given conditions on an exclusive or non-exclusive basis, for the purpose of providing electronic communication services. The access to specific network elements and associated assets covers access to the network elements and associated assets, which may include connection of the equipment by means of fixed or movable devices, access to physical infrastructure, including buildings, cable installations and antenna towers.

Decision on determining the relevant markets, adopted on August 17, 2005

Relevant geographic market and relevant product and service markets in the electronic communications market are identified by means of this Decision. The relevant markets are identified in compliance with the Recommendation 2003/911/EC of the European Commission regarding relevant product and service market, published in the Official Journal of the European Union (OJ. L 114 of 8 May, 2003).

Rulebook on the manner and the procedure for provision of a minimum set of leased lines, adopted on August 24, 2005

This Rulebook stipulates the manner and procedure of provision of a minimum set of lines leased by an operator with significant market power in the relevant market of leased lines. The minimum set of leased lines has been established in compliance with Article 18 of and Annex VII to Directive 2002/22/EC on Universal Service of the European Commission, published in the Official Journal of the European Union (OJ. L 108 of 24 April 2002).

Rulebook on the level of detail of the information to be published in the reference offer for unbundled access to local loop and the manner of its publication, adopted on October 19, 2005

This Rulebook stipulates both the requirements for provision of unbundled access to local loop and the obligation of operators with significant market power to submit their reference offers for unbundled access to the local loop, *inter alia* in the market of fixed public voice telephone networks and services, to be approved by the Agency.

Rulebook on the operator selection and operator's pre-selection, adopted on October 19, 2005

This Rulebook stipulates the obligation of operators with significant market power, in the corresponding market for access to and use of public telephone network at a fixed location, to provide their subscribers access to the services of any operator with whom they have concluded interconnection agreement regarding provision of fixed public telephone services through operator selection and/or operator's pre-selection, as well as the implementation of the operator selection and/or operator's pre-selection service.

Guidelines on keeping a register on assigned radio frequencies, adopted on June 21, 2005

Rulebook on radio frequencies that could be used without an approval for radio frequency usage (Official Gazette of the Republic of Macedonia No. 58/05)

This Rulebook is in accordance with the European Conference of Postal and Telecommunications Administrations (CEPT) and other international rules and regulations adopted by the Republic of Macedonia.

Rulebook on the form and the contents of the request for approval issuing for radio frequency usage and the necessary documentation, adopted on August 17, 2005.

Rulebook on the manner of keeping a separate accounting for the activities related to interconnection and/or access and retail prices regulation, adopted on December 28, 2005

This Rulebook regulates the retail prices of an operator with significant market power, in a specific, end-user directed and insufficiently competitive retail market.

Plan on allocation of radio frequency bands, adopted on December 28, 2005.

The purpose of the Plan is to assign radio frequency bands to specific radio services, thus providing efficient planning, management and unhindered use of radio frequency spectrum.

Statute of the Agency for Electronic Communications, adopted on May 19, 2005

c) INSTITUTIONAL FRAMEWORK

Ministry of Transport and Communications and the Agency for Electronic Communications are the competent bodies regarding the implementation of activities relating to electronic communications.

Ministry of Transport and Communications is the competent Governmental body regarding creation and implementation of electronic communications policy and drafting of legal regulations, in cooperation with the Agency for Electronic Communications. Pursuant to the Law on Electronic Communications, the Ministry of Transport and Communications also performs duties related to the development of electronic communications and information technologies, and it coordinates and harmonizes the issues in the field of electronic communications and information society and the creation and development of the information society. The Ministry promotes competition development in the field of electronic communications and information society, and enhanced availability and use of electronic communications and information technologies.

The Agency for Electronic Communications, in operation since July 1, 2005, is an independent regulatory body and the legal successor to the Telecommunications Directorate. The Agency for Electronic Communications is competent for: providing the users, including the end-users with special needs, with a possibility to make use of the advantages in terms of the choice, price and quality of the access to electronic communications; protecting against violation or limitation of competition in the field of electronic communications; stimulating efficient investments in infrastructure building and supporting innovations; promoting efficient use of radio frequencies and numerical space as limited natural resources and securing non-discrimination in similar circumstances, regarding treatment of electronic communication network operators and electronic communication service providers.

SHORT-TERM PRIORITIES

a) LEGAL FRAMEWORK

The following bylaws were drafted in January:

Rulebook on determining the total number of points for calculating the remuneration for using radio frequencies (Official Gazette of the Republic of Macedonia No. 01/2006)

This remuneration will be paid to the Agency for Electronic Communications account, and it will be intended to provide supervision, monitoring, measurement of the radio frequency spectrum and for covering the Agency's administrative expenses.

Rulebook on determining the method of calculating the annual remuneration for the use of the assigned numbers and number lots (Official Gazette of the Republic of Macedonia No. 01/2006)

This remuneration will be paid to the Agency for Electronic Communications account, and it will be used to cover Agency's administrative expenses pertaining to management, monitoring, implementation of the Plan on Numeration, including planning, data processing and storing, capital costs, staff and operational costs.

Rulebook on the types and the contents of data, which the operators of the public communications networks and/or public communication services providers are obliged to publish relating to the general conditions for access and usage, prices and tariffs and parameters of quality of the public communications services (Official Gazette of the Republic of Macedonia No. 01/2006)

Drafting of other bylaws is foreseen, the purpose of which is communications market liberalization and providing universal service, whereby conditions will be secured for equal access and use of public telephone services by the end-users with special needs. The adoption of these bylaws will provide enhanced efficiency and independence of the regulatory body.

Rulebook on the methodology for calculation of annual remuneration for electronic communications market surveillance

This remuneration will be paid by the public communication network operators and public communication service providers, to the Agency for Electronic Communications account, as a percentage of the total annual income acquired in the course of the previous year, by operating the public communication networks and providing public communication services.

Rulebook on the form and contents of the Single Phonebook

Keeping the unique phonebook is a responsibility of universal service providers.

Rulebook on determining the criteria for tender procedure for prequalification for selection of universal service provider

This Rulebook shall stipulate the tender procedure with prequalification, through objective and transparent criteria for the selection of universal service provider, especially regarding the service provider's readiness to provide universal service in a particular area over a period defined in the tender documents and to the amount of the funds necessary to provide the service, the relevant net cost for such service provision and the relevant amount of the remuneration from the universal service fund, required by the operator to carry out the universal service provision.

Rulebook on determining the methodology for determining prices for universal service

This Rulebook shall stipulate the methodology and mode of setting price limits that the universal service provider will apply in forming the universal service prices.

Rulebook on the quality of the universal service

This Rulebook shall stipulate the universal service technical parameters and their measuring, as well as minimum quality requirements.

Rulebook on determining the method for calculation of actual costs and the intangible benefits of the universal service provider

This Rulebook shall stipulate the method of calculating the actual costs and intangible benefits to be taken into account in calculating the actual costs for universal service provision, bearing in mind the European Union recommendations regarding universal service.

Rulebook on determining the amount of the assets for actual costs reimbursement for universal service provision

This Rulebook shall stipulate the amounts of funds and minimum gross income, to be used for reimbursement of the real costs related to universal service provision and obtained from operators who possess public communication networks and/or provide public communication services on the territory of the Republic of Macedonia.

Plan on allocation and usage of radio frequencies

This Plan, which will be designed in compliance with the Plan on Radio Frequency Band Usage, and which encompasses the plans related to the allocation and use of radio frequencies by specific radio services, shall define closely the terms and manner of using the radio frequencies belonging to specific radiofrequency bands.

Rulebook on the technical and the operational condition that needs to be met, while using certain radio frequencies.

This Rulebook stipulates the technical and operational requirements to be met while using specific radio frequencies and with electronic communication services or types of electronic communication networks.

Rulebook on the standards for issuing attestations for radio and telecommunications terminal equipment

This Rulebook includes the recognition of attestation issued by renowned international institutions, as well.

Rulebook on determining the manner and the time for enforcement of the number portability

This Rulebook shall stipulate the technical and other number portability requirements, when a change of communication network operator or public communication service provider takes place.

Rulebook on the operational conditions of the digital television equipment

Rulebook on the manner of usage and the time of implementing the Single European Emergency Call Number "E-112" in the Republic of Macedonia

Committee Recommendation 32003H0558 of July 25, 2003, pertaining to the call location information processing within the electronic communication networks, will be transposed into this Rulebook, for the purpose of determining the call location by the emergency calls services (published in OJ. L 189, 29/07/2003), while the conditions and principles of providing call location information to the emergency calls services will be harmonized via the unique number 112, through the introduction of a new service. The service will unite the existing emergency calls services, as follows: police 192, fire service 193, emergency medical service 194 and the and Alert Service 195.

Rulebook on determining the measures for securing the public communication services in case of war, emergency or natural disaster that need to be included in the operators' plans on measures

The Rulebook shall define the obligation of operators of public communication networks and public communication services to design and adopt a Plan on Measures, aiming at providing integrity for the public communication network and access to the public communication services in case of network failure, war, emergency or natural disaster.

Decision on determining the groups of users with the right to priority network connection points, during war, emergency or natural disaster

The Government of the Republic of Macedonia shall, by virtue of a decision, assign groups of users entitled to use priority network connection points, in case of network failure, war, emergency or natural disaster.

Decision on determining measures, restrictions and interruptions in the operation and the functioning of the public communications networks in case of war, emergency or natural disaster

The Government of the Republic of Macedonia shall, by virtue of a decision, define the conditions under which it can order the public communication networks operators to terminate operating of other communication connection points, in order to provide functioning of priority network connection points, and also stipulate other mandatory measures to be implemented in case of war, emergency or natural disaster.

b) STRATEGIC DOCUMENTS

The adoption of the following strategies has been planned:

- National Strategy on Development of Electronic Communications and Information Technologies, by the end of 2007:
The Law on Electronic Communications provides for the adoption of a National Strategy for Development of Electronic Communications and Information Technologies, taking into account the strategy on development of information society in the Republic of Macedonia. The National Strategy will determine the main strategic objectives which will accelerate the development of communications sector. The National Strategy will also include an interim strategy on the universal service, which should be implemented by the Agency for Electronic Communications.
- Interim strategy for universal service, by the end of February, 2006:
The interim strategy on the universal service will enable identification of the needs of the population, by means of setting priorities in terms of providing universal service, as well as providing a set of measures to be conducted by the Agency for Electronic Communications, with the objective of stimulating provision of this service without subsidies.

c) INSTITUTIONAL FRAMEWORK

Within the Ministry of Transport and Communications, Sector for Communications – Unit for Telecommunications and Information Technologies, in accordance with the Systematized Job Description Act of 2006, the total of 7 highly qualified expert personnel have been foreseen, while the total number of such staff, within the Sector for Communications, as foreseen by the same Act, is 15. In the course of 2006, 4 experts will be employed in the Sector for Communications, i.e. they will be deployed at the Unit for Telecommunications and Information Technologies.

In order to harmonize the concession agreements, concluded between the Ministry of Transport and Communications, on the one side, and JSC Macedonian Telecommunications, JSC Mobimak and JSC Cosmofon, on the other, with the new Law on Electronic Communications, the Government of the Republic of Macedonia established an inter-ministerial working group with representatives of a number of institutions, *inter alia* the Secretariat for European Affairs and the Commission for Protection of Competition. In addition,

an open international call was published for selection of a consultant for harmonization of the concession agreements. According to the defined schedule, the harmonization of agreements should be completed by the end of the second quarter of 2006, at the latest.

The establishment of a separate Emergency Call Service is foreseen. The Service will unite the existing emergency services, as follows: police 192 (Ministry of Interior), fire service 193 (Ministry of Interior), emergency medical service 194 (Ministry of Health) and the Alert Service 195 (Ministry of Defence). It is planned for the Service to commence operations in the course of 2007, employing about 20 of staff.

During 2006, strengthening of the Agency for Electronic Communications capacities will also take place, through EU and GtZ projects, and at the same time an analysis will be conducted of the existing staff, followed by the adoption of Amendments to the Rulebook on internal systematisation and Amendments to the Rulebook on the systematisation of the activities and assignments and appropriate activities for further staffing and reorganization. Currently, the Agency for Electronic Communications employs 95 persons.

As regards the appealing procedure efficiency, it is provided by the provisions of the Law on Electronic Communications, which stipulate that the decisions of the President of the Agency for Electronic Communications can be appealed to the Commission of the Agency for Electronic Communications, which decides at the second instance, within 8 days from the decision receipt date. The Commission is bound to decide upon the appeal within 15 days after the receipt date, and its decision regarding the appeal is final. Thus, abuse of the system of appeal, in terms of delaying of the implementation of regulator's decisions, is prevented.

MEDIUM-TERM PRIORITIES

With respect to the Emergency Call Service establishment, along with the technical assistance, it is necessary to provide funds for staffing, physical accommodation, technical furnishing, appropriate employee training and other tangible costs, for about 20 jobs.

FOREIGN ASSISTANCE

In December 2005, the Project entitled "**Technical Assistance in Drafting the Secondary Legislation Acts compliant with the Law on Electronic Communications**" and funded by USAID was completed.

The following projects will be active in the telecommunications sector:

- GTZ – Support to the Reform Implementation Process within the Republic of Macedonia's Telecommunication Sector, compliant with the EU. The Project commenced early in 2005 and will be completed by the end of 2006. The Project objective is the exchange of experiences with the relevant regulatory bodies in the countries of the region, support to specific regulatory functions, training through informative visits and short-term practice in similar institutions/bodies in Europe, support to the participation in certain conferences, seminars, workshops, etc.;
- CARDS 2005 program: Technical Assistance for the Establishment of an Independent Regulator within the Electronic Communications Sector, 1,000,000.00 EUR. This Project is related to the Agency for Electronic Communications, its duration is 18 months, and it is expected to start early in 2006 and to be completed in the middle of 2007. The Project will focus on assessment of the situation and an action plan which will include a staff and systematized job description assessment; support to specific regulatory functions, including on-the-job and off-the-job training; permanent capacity building and enhanced transparency of operations.

3.10.2 INFORMATION SOCIETY

CURRENT SITUATION

a) LEGAL FRAMEWORK

The field of Information Society in the Republic of Macedonia has been regulated by the National Strategy for Development of Information Society with an Action Plan (NSISDAP), designed by the Committee for Information Technology, with the participation of 31 experts and adopted by the Assembly of the Republic of Macedonia on September 21, 2005.

According to its structure, the National Strategy for Development of Information Society with an Action Plan is divided into two sections: Strategy and Action Plan, both pertaining to the information society development. The Strategy describes the basic development directions broken down into 8 strategic pillars (Infrastructure, E-business, E-Government, E-Education, E-Healthcare, E-Citizens, Legislation and Sustainable Development Priorities of the Information Society). The Action Plan defines in detail the 109 planned projects in the field of information society and the measurable indicators for them.

The Strategy objective is to enable efficient implementation and use of ICT by all entities in the Republic of Macedonia, through the completion of priority projects, defined in the Action Plan. Among others, the Strategy identifies six priority development areas: Adoption of the Law on Information Society; setting up a full, completed institutional framework (Agency for Information Society – AIS, Inter-ministerial Council and National Council for Information Society); raising of the public awareness in relation to the needs for and advantages of the information society advancements; enabling access to Internet for all citizens; defining mechanisms that provide resources for funding the process of information society building and development; and establishment of continuous monitoring and evaluation.

The National Strategy for Development of Information Society with an Action Plan has been designed in accordance with the commitments assumed by the Republic of Macedonia:

- Declaration accepted by all Southeast Europe Stability Pact Member States, signed in Ljubljana on June 4, 2002;
- Information Society Development Agenda for the Southeast Europe countries, adopted on October 20, 2002 in Belgrade;
- Conclusions of the Ministerial Conference on Electronic Government, Athens 2003;
- Declaration adopted by the Assembly of the Republic of Macedonia – "E-declaration 2002, Recommendations for Rapid Development of Information Society and Digital Economy in the Republic of Macedonia, as National Priority";
- Action Plan of the Committee for Information Technology 2003-2007;
- Action Plan and Declaration of the World Summit on the Information Society in Geneva, 2003;
- Concept of E-Government, adopted by the Government of the Republic of Macedonia, 2004.

In the process of drafting the Strategy, European Union documents and recommendations have been used:

- At the Lisbon Summit in 2000, Council of Europe defined the basic elements of eEurope, a concept which is an obligation not only for the European Union Member States, but the European Union Candidate Countries, as well;
- European Commission Action Plan, eEurope+ 2003 and
- European Commission Action Plan, eEurope 2005;
- European Commission Draft Action Plan, i-2010.

b) INSTITUTIONAL FRAMEWORK

According to NSISDAP, up until the establishment of an Agency for Information Society, the Committee for Information Technology (CIT) and the National Working Group for Information Society shall be competent to coordinate the activities pertaining to the information society building and the NSISDAP Projects implementation

Another body competent for information society establishment and development is the Ministry of Transport and Communications, on the basis of the Law on Electronic Communications (Official Gazette of the Republic of Macedonia, No. 13/05).

c) FOREIGN ASSISTANCE

On January 1, 2006 the **UNDP** and **FOSIM (185.501\$)** Project entitled "Formulation of a National Strategy for Information Society Technologies for Development" was completed. Its objective was drafting a National Policy, Strategy and Action Plan for information society development.

By applying a comprehensive and open consultation process, this Project lead to the formulation of the National Policy for Information Society (NPIS), National Strategy for Development of Information Society with an Action Plan, with the aim of articulating a clear and realistic vision of the role of the Information and Communication Technology (ICT), in the economy and human resources development in the Republic of Macedonia.

As a result of this Project, a national information society working group was constituted, comprising policy –makers and experts, representatives of the governmental institutions, the business, education, science and civil sector, in charge of drafting and adoption of the NPIS, ICT-Strategy and Action Plan. The Project was implemented in the period from October 2004 to December 2005.

SHORT-TERM PRIORITIES

a) LEGAL FRAMEWORK

The following acts are planned to be adopted:

- Law on Information Society, in the fourth quarter of 2006;

The Law on Information Society will be drafted by the Ministry of Transport and Communications, in accordance with the Law on Electronic Communications (Official Gazette of Republic of Macedonia, No. 13/05). In accordance with NSISDAP, the Committee for Information Technology and the National Information Society working group will also take part in drafting of the Law. The Law will incite intense application of information and communication technologies (ICT) in economy, education and culture, healthcare, as well as efficiency, transparency and participative approach in the functioning of the central and local government. It will enable the necessary preconditions for Macedonia's integration into the European Union and it will help the country to remain firmly focused on the main Macedonian and EU strategy: building and development of an information society that will lead to growth and new employments.

Along with other elements, the Law on Information Society should specially regulate the following issues:

- establishing an institution (Agency) to implement the information society development activities in the Republic of Macedonia;

- establishing other parts of the institutional structure related to the information society development in the Republic of Macedonia;
- building the basic principles and obligations of all public institutions involved in the information society development;
- raising the awareness of the need for and significance of the information society;
- adoption of bylaws which will define the technical and the other standards, on which the information society development will be based in the Republic of Macedonia;
- defining the modes (mechanisms) of funding the information society development in the Republic of Macedonia.
- providing prerequisites for continuous monitoring and evaluation of the realisation of the information society building process.

The deadline for drafting and adoption of the Law on Information Society is the fourth quarter of 2006, at the latest.

Bylaws related to electronic signature;

The Law on Electronic Data and Electronic Signature (Official Gazette of the Republic of Macedonia, No. 34/2001 and No. 06/2002) enables for the electronic documents to be signed electronically, which will make them equivalent to paper documents signed in handwriting and/or stamped. It creates preconditions for the electronic signature to, *de facto*, become identical to the one inscribed in hand. This will allow for the electronic documents and electronic communication to be of identical legal validity with the paper ones, and thus conditions will be created for e-services of all kinds and types (including e-Government), in a very affordable, effective and cost-effective manner. In order for the Law on Electronic Data and Electronic Signature to be fully enforced, it is necessary to adopt its bylaws. The Ministry of Finance has so far adopted 4 bylaws and it still has to adopt 3 more, as follows:

- Rulebook on the necessary equipment and system for storage of certificates and qualified certificates. This Rulebook will, *inter alia*, provide a detailed stipulation of all safety aspects, European and world standards to be met in this sphere;
- Rulebook on the necessary expert knowledge, experience and qualifications of the staff employed at the certificate issuers and qualified certificates issuers;
- Rulebook on determining the minimum insurance amount of the certificates issuer;

b) INSTITUTIONAL FRAMEWORK

Priorities in building the institutional framework for information society development are the establishment of an Inter-ministerial Council, National Council and Agency for Information Society.

- Inter-ministerial Council

The role of the Inter-ministerial Council is to define policy and policy related priorities, as well as to coordinate the implementation of NSISDAP and individual projects. The Council will be chaired by the Prime Minister of the Republic of Macedonia, while its members will be the Vice Prime Minister, in charge of EU-integration and the Ministers for Transportation and Communications, for Education and Science, for Interior, for Justice, for Economy, for Finance, for Labour and Social Policy and for Local Self-government.

The Inter-ministerial Council's competencies are as follows:

- defining basic policy directions and priorities;
- connecting the information society development policies to other development policies in the Republic of Macedonia;
- coordinating the activities of various stakeholders involved in the process;
- receiving reports on the evaluation of information society development in the Republic of Macedonia and on NSISDAP implementation;

- National Council for Information Society of the Republic of Macedonia.

The role of the National Council is advisory. It will consist of 25 members, elected by the Assembly, such as representatives of the private and public sector, the universities and the non-governmental organizations. Council members should be distinguished experts from various fields, like the members of the Working Group in charge of drafting the Strategy.

Competences of the National Council for Information Society of the Republic of Macedonia include the following:

- providing guidelines and recommendations on the basic policy directions and priorities,
- preparing opinions on the ways of relating the information society development policies to other development policies in the Republic of Macedonia;
- coordination of the activities of various stakeholders involved in the process;
- conducting monitoring of the information society development in the Republic of Macedonia and of NSISDAP implementation.

The Inter-ministerial and National Councils will also work together, as a partnership uniting the public, private and civil sector, and they should be established by the end of the fourth quarter of 2006.

- Agency for Information Society of the Republic of Macedonia

The role of this central implementing institution is implementing the information society development policies and activities in the Republic of Macedonia. The Agency will have the capacity of a legal entity, established by virtue of the Law on Information Society and initially employing 25 persons. Management of the Agency will be within the competence of the Management Board, while the executive powers will be held by the Director. The members of the Management Board will be appointed by the Assembly and it will be so structured that the private and non-governmental sector will have dominant participation on it. The Agency shall function on the basis of an Annual Program, to be recommended by the National Council for Information Society and approved by the Government.

Basic competences of the Agency will be the following:

- operational processing and filing of data and information, as public goods;
- implementing adopted information society development projects in the Republic of Macedonia;
- coordinating activities which will be undertaken by IT-sectors at the Ministries and other state agencies, organisations and bodies;
- coordinated management and development of an integrated spinal network for the needs of governmental institutions and public administration;
- PKI usage certification; (At present, this is within the competence of the Ministry of Finance, according to the Law on Electronic Signature);
- generation and management of resources of the fund for development of information society in the Republic of Macedonia;
- concern for raising the public awareness and education in relation to the importance of information society development.

The Law on Information Society will define specifically all of the Agency's competences. Operations of the Agency will be funded from the budget of the Republic of Macedonia and Agency's own resources, earned from various services provided by the Agency. Manufacturing and issuing smart-cards (electronic personal identification documents) is an example of a service to be provided by the Agency. Control of funds expenditure will be provided by means of preparing cost plans prior to the beginning of each year and by submitting reports to the Assembly of the Republic of Macedonia at least once a year. The deadline for the establishment of this institution is the end of second quarter of 2007.

- Other Institutions

The implementation of the information society development activities will, in certain domains, be within the competence of the IT – sector of the Government's General Secretariat and the Ministries' IT-sectors, then of the state administrative bodies and other state and public institutions, as well.

In this respect, the Government's General Secretariat, every ministry and state institution should have an IT-sector², and consider the advantages and disadvantages of hiring more employees, as compared to the fulfilment of duties on a contract basis, through outsourcing. Specific competences of each IT-sector should be specified by documents defining the functions of every individual institution, in compliance with the Law on Information Society.

At local level, every municipality in the Republic of Macedonia will have to design an information society development program at the municipal level, as well as to establish an IT-sector, the management of which will be within the competence of the respective Municipal Council and/or Mayor. Basically, IT-sectors' competences will be related to the implementation of heterogeneous activities and projects for information society development at the municipal level. In addition, they will have to cooperate with each other and with the Agency for Information Society of the Republic of Macedonia.

There are already institutions in place for performing the regulatory function and others will be set up too, in accordance with the needs in particular areas.

According to the plans developed, training courses should be organized for the newly employed Agency for Information Society staff, as well as courses for project coordinators from the ministries and other institutions, leaders of projects and initiatives in compliance with NSISDAP. Topics of the training courses to be conducted are: Project management cycle; Project coordination and institutional cooperation; Fiscal Management; Risk Management. Also, the eight project coordinators and their assistants (eight) at the Agency for Information Society should be trained in program and statute preparation, organizational layout, coordination methodology and management of the implementation of the National Strategy for Development of Information Society with an Action Plan, when the new Agency for Information Society is established.

² Commitment assumed by the signing of Stability Pact.

According to the decision of the Government of the Republic of Macedonia No. 17-6809/1 of December 30, 2002 and in compliance with the E-declaration 2002 – Recommendations for accelerated development of information society and digital economy in the Republic of Macedonia, adopted by the Assembly on June 26, 2002, related to the unhindered functioning of CIT, the Government of the Republic of Macedonia should provide working space with a functional and furnished office and an auxiliary meeting room, properly equipped for unhindered functioning.

MEDIUM-TERM PRIORITIES

a) LEGAL FRAMEWORK

Mid term priorities include carrying on with the harmonization of all the laws (existing and new ones) which contain provisions pertaining to the field of information society, as well as amendments to the laws, whereby the new directives on development and building of information society would be transposed.

The adoption of the following has been planned:

- Law on Cyber Crime
- Law on Electronic Commerce
- Law on Conditional Access to Services
- Harmonization of all laws (existing and new) containing provisions pertaining to the field of information society

b) INSTITUTIONAL FRAMEWORK

All projects (109), planned in accordance with NSISDAP, should be implemented on a medium-term basis. Also, hardware and software should be purchased, activities regarding ICT system installation and maintenance should be undertaken, and training should continue both in terms of employees' professional capacity enhancement and organizing courses for project coordinators from ministries and other institutions, leaders of projects and initiatives based on NSISDAP.

FOREIGN ASSISTANCE

There is a need for FOREIGN ASSISTANCE that would gratify the need for resources which cannot be provided through the regular annual budgets of the Republic of Macedonia, with regard to the implementation of the planned 109 projects.

In compliance with the National Strategy for Information Society, implementation of the following projects, to be completed during 2006 and 2007, is under way:

1. A portal for all citizens of the Republic of Macedonia, www.uslugi.gov.mk
The goal of this project is building a centralized and standardized Portal for all citizens of the Republic of Macedonia, which will facilitate considerably the obtaining of information from the public sector and the access to the state administration's services. Through its final version, the Portal will enable complete electronic communication and transactions taking place between the citizens of the Republic of Macedonia and state administration.
2. Collaborative portal solution for the General Secretariat of the Republic of Macedonia
The Project includes electronic information management at the General Secretariat of the Government of the Republic of Macedonia.
3. E-Market Centre
Building an E-market portal will enable integration of the information on the small and medium-sized enterprises in the Republic of Macedonia, for the purpose of their promotion at the global market.
4. Online application regarding employment with state institutions
In cooperation with the Agency for Civil Servants, a portal is created which will enable using Internet to apply for employment with the state institutions
5. E-procurement service
The purpose of this Project is to introduce into several institutions a software application for electronic management of the overall public procurement process. The Project is funded by USAID.
6. E-taxation service
The Public Revenue Office, the body responsible for collecting taxes in the Republic of Macedonia, is restructuring its operations by introducing an E-taxation portal, in order to increase the efficiency and transparency of its performance. The portal will enable online tax reporting for taxpayers. The Project is funded by USAID.
7. E-government in the Republic of Macedonia

The Project introduces e-Government tools at the local level, by establishing public access points for the citizens of the Republic of Macedonia. The Project is part of the Global Cooperation Agreement between UNDP and Microsoft.

8. ICT support for the Municipalities in the Republic of Macedonia and sustainable development
With UNDP support, the local self-government, by using ICT technology, undertakes activities aiming at increased transparency and accountability.
9. Citizens' participation (e-Local Self-government)
Through this Project, the organization "Metamorphosis", in cooperation with USAID and the Foundation Open Society Institute Macedonia, provides ICT solutions and consultations to the municipalities, for the purpose of strengthening the relations between the citizens and the local self-government and motivating the citizens to participate more in public debates.
10. Physical infrastructure among state institutions
After conducting an analysis of the existing situation and observing possible technical and technological solutions, the process of selecting the most appropriate mode of implementation for the project of installing physical infrastructure among the state institutions and access to Internet was launched.
11. e-school
Furnishing of additional 200 schools with computer laboratories, upgrading the existing computer laboratories and equipment for the Central Computer Laboratory Maintenance System at about 700 schools through an equipment donation from the PR China, donation of local network installation from USAID, and budget funds of MSE for the Maintenance System functioning. The Project also involves creation of a portal with educational topics and exchange of experiences among the participants within the educational system, as well as continuation of the process of teacher training in the field of ICT and e-issues.
12. Electronic session of the Government of the Republic of Macedonia
The project will enable preparing, organizing and conducting the sessions of the Government of the Republic of Macedonia electronically.
13. Macedonia is connecting
Follow-up of the National Project for Broadband Wireless Network Maintenance and Extension and implementation of the information portal pertaining to primary and secondary education institutions, their activities and e-mail and web services for all schools, teachers and students.
14. MARNET
Follow-up of MARNET's connecting to GEANT, as well as interconnection of higher education institutions in the country through FP6 projects.
15. EMIS
The project foresees establishment of an information system for management in the educational system.
16. e-Rider
This project's goal is to provide support to the non-governmental organizations and local self-government in their efforts aiming at development of strategies for use of ICT technologies. The project is implemented by Metamorphosis.
17. Digital clubs for bridging the digital gap.
The project goal is bridging the digital gap, through the establishment of public points for access to Internet in rural and underdeveloped areas.

E-Procurement, e-Taxation, e-Local Self-government, e-School and "Macedonia is connecting" Projects are funded fully or partly by USAID. E-Government is funded by UNDP and Microsoft, ICT Support to Municipalities Project is funded by UNDP, while e-Local Self-government and e-Rider Projects are funded by the Foundation Open Society Institute Macedonia – Metamorphosis. Part of EMIS Project is also funded by the grant from the Kingdom of Netherlands, while MARNET Development Project is implemented through FP6 Projects. The ICT Support to Municipalities is funded by UNDP.

3.10.3 AUDIOVISUAL POLICY

3.10.3.1 BROADCASTING

CURRENT SITUATION

a) LEGAL FRAMEWORK

In the Republic of Macedonia, the sphere of broadcasting is regulated by the new Law Broadcasting Activity (Official Gazette of the Republic of Macedonia No. 100/05), the Law on Establishing the Public Enterprise Macedonian Broadcasting (Official Gazette of the Republic of Macedonia No. 6/98-313), the Law on Electronic Communications (Official Gazette of the Republic of Macedonia No. 13/05), the Law on Copyright and Related Rights (Official Gazette of the Republic of Macedonia No. 47/96, 3/98, 98/02 and 04/05), the Law on Ratification of the European Convention on Trans-frontier Television and the Protocol regarding the Amendment to the European Convention on Trans-frontier Television (Official Gazette of the Republic of Macedonia No. 18/2003-59).

Until November, 2005, the broadcasting operations in the Republic of Macedonia were regulated by the Law on Broadcasting Activity of 1997 (Official Gazette of the Republic of Macedonia No. 20/97, 70/03). The need for passing the new Law on Broadcasting Activity emerged from the ratification of the Convention on Trans-frontier Television in 2003, whereby the Republic of Macedonia undertook an international obligation to adjust its legislation to the Convention, in order to be able to implement it successfully. The need for a new law also emerged from the obligation to apply the provision of the Stabilization and Association Agreement, concluded between the Republic of Macedonia and the European Union and its Members States, which came into force in 2004, and especially the obligation contained in Article 94 of the Agreement which stipulates that the parties shall cooperate in promoting audiovisual industry in Europe and stimulating co-productions in the fields of cinema and television, the parties shall coordinate and, whenever possible, harmonize their policies regarding regulation of cross-border broadcast contents, paying special attention to providing intellectual property rights and transmissions via satellite or cable. The new Law on Broadcasting Activity was passed on November 9, 2005.

In the new Law on Broadcasting Activity, completely incorporated are the provisions of the Directive on Television without Frontiers of the Council of Europe, the provisions of the European Convention on Trans-frontier Television, the declarations and recommendations of the Council of Europe, which define the European broadcasting standards and principles more precisely. Some of the more important solutions incorporated into the new Law on Broadcasting Activity are the following:

The definitions in the Law are fully harmonized with the European Convention on Trans-frontier Television and the Law on Electronic Communications. This harmonization provides setting up of a unique vocabulary of appropriate terms used in the European Union. In addition, the new Law establishes the jurisdiction of the Republic of Macedonia over all of the entities, in compliance with the provisions of the European Convention on Trans-frontier Television and the Directive on Television without Frontiers.

Alongside the existing two (public broadcasting service and commercial sector), the Law introduces a possibility of the existence and development of a third, non-profit sector, thus establishing that non-profit making broadcasting operations can also be performed by educational, cultural and other institutions and citizens' associations and foundations. The possibility given to certain entities, whereby they can perform broadcasting operations for non-profit purposes will mean better supply of program contents intended for particular specialized or marginalized part of the audience. This will also mean broadening of the possibilities of exercising the freedom of expression and the right to speak on voluntary or non-professional basis, thus enabling for a number of opinions and positions that do not attract professional media's interest, to be articulated in the public.

The new Law provisions enable balancing of two opposed principles: multiple media ownership and free entrepreneurship in the field of electronic media.

The Law regulates ownership, ownership restrictions, incompatibility of performing broadcasting operations with other businesses, and merger of and trading with broadcasting entities. The provisions of the Law incorporate the European recommendations on diversity of media offer and media ownership transparency. It stipulates partial liberalization in terms of ownership, and it enables for broadcasting organizations to be owned by foreign legal entities and natural persons, under the same conditions as domestic entities.

The Law also defines relevant procedures, the purpose of which is to provide third parties who are directly involved, including also citizens of other member states, with the right to initiate actions with competent judicial and other authorities.

The Law guarantees institutional and editorial independence of the public service, primarily through the method of selection of new managing bodies, then through mutual relations based on inspection and control, as well as through the financial accountability to the Assembly of the Republic of Macedonia. The managing bodies' structural model has been taken from the European practice, at the same time taking into account the Macedonian specifics. Thus, the Law sets the necessary framework for completion of the process of transformation of the public broadcasting service and provides transparency of its operations, while through the newly established body – MRT Council – opportunity is given for various segments of audience to be involved in the creation of program offers.

On the basis of the Council of Europe Recommendation 2000/23 on the independence of regulatory bodies in the field of broadcasting, the Broadcasting Council, as a regulatory body, is granted full decision making authority. In implementing its functions, as stipulated by the Law, the Broadcasting Council will care for the provision of freedom of and pluralism in expression, existence of diverse, independent and autonomous media, accomplishment of society's interests, economical and technological development of the industry, and protection of citizens' interests in relation to the broadcasting operations. During the implementation of the Recommendation, care was taken that all the guidelines pertaining to securing its independence and transparency of operations be applied, through the method of selection, its everyday operations and funding.

The Council members' election takes place over a transparent and non-discriminatory procedure, with a system of authorized proposing entities who nominate candidates for election. The Council members are elected by the Assembly of the Republic of Macedonia. A Council member may not be dismissed, except in strictly stipulated cases listed in the Law, over a precisely defined procedure and in accordance with the guidelines given in the said Recommendation.

With the new Law, the Government will not grant concessions for performing broadcasting operations. Instead, the Broadcasting Council will issue licenses, which is in compliance with Council of Europe Recommendation 2000/23, whereby all the authorizations with regard to regulating the broadcasting sector, including the issuance of licenses, are to be transferred to the regulatory body. Thus, the Broadcasting Council's position of a regulatory body is reinforced, which is a key prerequisite for the broadcasting industry's functioning in accordance with the European system of duality in broadcasting (private/public).

In addition, a legal possibility is provided for regulating satellite transmission, as well as retransmission, of original program services via cable, which will encourage competition in broadcasting, regardless of the availability of natural resources (frequencies).

Transparency of the license issuing procedure is enhanced and control is secured, on the part of the public and stakeholders, of the decision making process that takes place at the Council.

Future broadcasters, who apply for a license for performing broadcasting operations, will know in advance exactly at which frequency they will transmit, where the service zone is, what the amount of the remunerations that should be paid for the license will be, i.e. the one for using frequency. This way, the system for issuing licenses becomes a qualitative step forward towards the approximation to the one-stop-shop procedure.

New service zones are introduced – namely, instead of the two present broadcasting levels, national and local, another one is introduced – regional level. The need for them arises from reality – local broadcasting is in an extremely difficult situation as the markets they cover are too small to bear such a large number of media. This is exactly why their production is of poor quality, and they fill up their programs with contents which in most cases are without regulated copyright. Enabling regional coverage, in fact, increases the local broadcasters' market, and through market mechanisms provides higher investments in programs and technology and, by that, better service for the local community.

Program standards are built on the basis of the Council of Europe recommendations, the European Convention on Trans-frontier Television and the Television without Frontiers Directive. They also incorporate the provisions on European audiovisual works, which are a prerequisite for preserving the European cultural identity and for integrating the Macedonian broadcasting market into the single European broadcasting market. In addition, the program standards have been harmonized with other Macedonian laws, as well.

Furthermore, advertising and TV shopping have completely been harmonized with the Convention on Trans-frontier Television and the Television without Frontiers Directive.

The transfer of signals through the public communication networks is regulated by the new Law on Electronic Communications and now they fall under the jurisdiction of the Agency for Electronic Communications.

The new Law on Broadcasting Activity establishes a system of bundled procedure in relation to the contents broadcasted over the public communication networks and to the setting up of Broadcasting Council's competences in registering program contents broadcasted over the networks. The Law also stipulates minimum standards related to the registering of program services distributed through cable networks and originating from countries who have not signed the European Convention on Trans-frontier Television.

The supervision of the Law's implementation, in terms of observing program principles, program requirements and restrictions, as well as the conditions stipulated in the license, is conducted by the Broadcasting Council. If in the process of conducting supervision, the Broadcasting Council detects breach of the provisions of this Law, it shall submit a request for initiating misdemeanour, i.e. criminal action.

Pursuant to Article 147 of the Law on Broadcasting Activity, calculation, collection and directing the broadcasting remuneration assets, as well as keeping a payers registry, will be carried out by a special organizational division within the Macedonian Radio-television

(MRT), which will be determined by an amendment to the existing Rule Book on Organization and Systematized Job Description. MRT has, to date, also been obliged to keep a broadcasting payers registry and the existing registry will be brought into accord with the new payers stipulated by the new Law on Broadcasting Activity. It will be necessary to purchase certain goods (new software with the corresponding technical support), for the needs of the new broadcasting remuneration collection method. A share of 0.5% of the funds collected shall be intended for the fulfilment of all the obligations imposed upon MRT by the new Law, which is estimated as insufficient for covering the main part of current costs.

According to the Law, MRT will, at the beginning of every year, issue a decision on every broadcast remuneration payer, where the annual duty for payment of the remuneration will be determined, with an order for payment in 12 monthly instalments. It is an obligation of MRT to submit the decision to every payer. If a payer does not pay the remuneration regularly, MRT will be entitled to add interest for late payment. The decision will have the nature of an enforceable document, in compliance with the Law on Enforcement Procedure. Forced collection has been foreseen to take place in accordance with the Law on Enforcement Procedure, and its application has been planned to start on June 1, 2006. It is expected for the results of forced collection to have positive effects on the regular collection of the remuneration.

Freedom of expression, i.e. cases of libel, which, according to the Criminal Code, may lead to imposing of fines or imprisonment, and which could cause imprisonment of journalists despite the presence of exemption of the "freedom of public expression and thought", are dealt with in more detail in Chapter 23 – Law, Section 3 – Fundamental Rights, where an explanation is given of the aspects based on which the Criminal Code will be amended.

B) STRATEGIC DOCUMENTS

Pursuant to Article 22 of the new Law on Broadcasting Activity, the Broadcasting Council develops a Strategy for Broadcasting Development in the Republic of Macedonia. Taking part in the strategy development are also institutions competent to perform operations in the field of broadcasting, electronic communications and information society. During strategy development, the opinions and positions of non-governmental organizations operating in the area of media will be taken into account, as well as those of other legal entities, whose activities are related to broadcasting.

C) INSTITUTIONAL FRAMEWORK

In accordance with the Law on Broadcasting Activity, the Broadcasting Council will conduct supervision over the implementation of the Law, in terms of observing the program principles, program requirements and restrictions, as well as the conditions stipulated in the license.

Supervision of compliance with the operation requirements contained in the approval for using frequencies, building, maintenance and utilization of networks and program broadcasting and transmission devices falls within the competence of the Agency for Electronic Communications and the Ministry of Transport and Communications.

The Ministry of Transport and Communications is the competent state body with regard to creation and implementation of the policy related to electronic communications, information society and broadcasting. The part of the Ministry dealing with the matters pertaining to the field of radio communications, i.e. broadcasting, is the Communication Sector – Unit for Radio Communications.

The Broadcasting Council is an independent regulatory non-profit body with public authorizations in the broadcasting industry, stipulated in the Law on Broadcasting Activity. The Broadcasting Council has the capacity of a legal entity. In fulfilling its competences, defined by this Law, the Broadcasting Council takes care of ensuring freedom and plurality of expression, then of the existence of independent and autonomous media, economic and technological development of the industry and safeguarding citizens' interests in relation to the broadcasting industry. The expert and administrative part of operations of the Council are carried out by an expert service, established by virtue of the Law on Broadcasting Activity of 1997. At present, the expert service employs 22 persons on a full-time basis.

The Agency for Electronic Communications, operative as of July 1, 2005, is an independent regulatory body and the legal successor of the Telecommunications Directorate, with the following scope of activities: providing the users, including the end-users with special needs, with the possibility to use the advantages in the sense of the choice, price and quality of the access to electronic communications; protection against the violation or limitation of competition in the field of electronic communications; stimulating efficient investments in infrastructure construction and support for innovations; promotion of efficient utilization of radio frequencies and numerical space, as a limited natural resource, and making sure that, under similar circumstances, no discrimination exists in terms of the treatment of electronic communications network operators and providers of electronic communication services.

Pursuant to Articles 36 and 145 of the new Law on Broadcasting Activity, the Broadcasting Council will primarily be funded by the broadcast remuneration (4% of the totally collected funds) and the minor part of finances will be provided from the charge for licenses for broadcasting operations.

SHORT-TERM PRIORITIES

a) LEGAL FRAMEWORK

Short-term priorities to be defined by the Ministry of Transport and Communications are the following ones:

- Drafting an Interim Universal Service Strategy, by the end of the first quarter of 2006;
- Drafting a National Strategy for Development of Electronic Communications and Information Technologies (Broadband Strategy) by the end of 2006;

Beside these priorities, the Broadcasting Council in December 2005 adopted a Plan on the Activities for Implementation of the Law, which stipulates adoption of a number of bylaws in the first few months of 2006, to further regulate a series of issues related to program standards and technical requirements concerning program broadcasting.

The Council is planning to harmonize the existing concession contracts, earlier than the 18 months period stipulated by the Law on Broadcasting Activity, by proposing the broadcasters contract termination by mutual consent and granting licenses for performing broadcasting operations, to cover the period until the expiration of concessions. To that end, the form of the Licenses for Performing Broadcasting Operations is being prepared.

According to the new Law on Broadcasting Activity, it has been stipulated that a Broadcasting Industry Development Strategy of the Republic of Macedonia be adopted by the Broadcasting Council. Most of the activities concerning Strategy building are planned to take place during 2006, while the public debate and adoption of the final text should be completed during the first half of 2007.

Also foreseen is the passing of new acts related to the Council's internal organization and mode of operation, as well as a Code of Conduct of the Broadcasting Council members and expert service members.

In order to implement the Law efficiently, in 2006, the Council will have to design a new monitoring system regarding the fulfilment of broadcasters' program obligations, then to establish a system of following media concentration, and a procedure regarding actions for applying the provisions when broadcasting events of great importance and a procedure regarding actions upon spectators' and listeners' complaints (foreign expert and study visits).

Finally, regarding the application of the Law with respect to protection of minors, TV shopping and sponsorship, the Council will have to start training broadcasters to the mode of application of the provisions of the Law and bylaws.

b) INSTITUTIONAL FRAMEWORK

It has been planned four persons to be employed during 2006 at the Communication Sector of the Ministry of Transport and Communications.

Bearing in mind the new setup of the regulatory body and the extended competences, it has been planned for the total number of employees to be increased to 31, including the nine new Council members, who will be employed on a full-time basis. It has been planned the total number of employees to be increased by 20 persons in 2006, out of whom 9 will be the new Council members and 11 are the newly employed at the expert service.

For both the existing and the new employees, a number of training courses will have to be organized during 2006, with the aim of drafting the bylaws and providing efficient implementation of the Law, especially with regard to issues on which the experience in Macedonia is insufficient (protection of minors, media concentration, Broadcasting Development Strategy building, establishment of procedures regarding spectators' and listeners' complaints, etc.)

It is also necessary, for the new Council and expert service members, to supply and install new ICT equipment, in order to enhance the Councils' internal organization and performance. It has been planned for part of this equipment to be purchased in 2006.

In order for the Broadcasting Council to efficiently perform all of its functions and competences, employing of 11 more new staff is planned for 2007, which will mean that the optimum planned number of employees has been accomplished (44 in total) at the expert service of the Council.

The remaining part of the training courses for the expert service and Council employees in efficient implementation of the Law is planned to take place during 2007. Included here would be a study visit to a regulatory body, which is necessary for establishing a media concentration monitoring system, and another study visit with part of the employees to acquire skills for establishing a procedure for application of the provisions when events of great importance are broadcasted.

In addition, during 2007, the Council will need foreign expert assistance in building of the Strategy for Development of the Broadcasting Industry and in the establishment of monitoring over the broadcasters' program obligations.

According to the plans, the greater part of the new equipment for the implementation of monitoring over the broadcasters' program obligations will be supplied and installed during 2007, and as regards the remaining part, the plans are that it will be supplied during 2008. Also, it has been planned for the Council's ICT system to be wrapped up during 2007 and 2008.

According to the strategic plans of the Ministry of Transport and Communications, no amendments to the new Law on Broadcasting Activity have been projected in 2006.

On the other hand, after the Law on Broadcasting Activity entered into force (Official Gazette of the Republic of Macedonia No. 100/2005), the Broadcasting Council observed a number of shortcomings which represent a serious obstacle to its efficient application, due to which it launched an initiative for urgent amendments to be made to the Law. If the competent institution engaged in drafting of the new Law on Broadcasting Activity gives its consent to the initiative, then the amendment to the Law will be part of the activities planned on short-term basis.

The shortcomings observed refer to the following:

- need for further regulation of the harmonization procedure for concession contracts, i.e. transfer to the licensing system;
- precise stipulation of the future status, program functions, funding sources and the transformation procedure of local public broadcasting enterprises;
- introducing provisions pertaining to the protection of commercial broadcasters against political influence;
- settling the issue of who adopts the Strategy for Development of the Broadcasting Industry;
- further precise definition of certain issues with respect to funding and measures imposed by the Council;
- setting the remuneration amount, to be paid by the public communication networks for the Council's supervising their program packages;
- technical changes for improvement of the legal wording (definitions of terms that are not used, contradictory articles regulating one single obligation in different ways, penal provisions related to nonexistent articles, etc.).

MEDIUM-TERM PRIORITIES

a) LEGAL FRAMEWORK

With the development of info-communication technologies, the formerly separated sectors of information technology, telecommunications and audio-video technology, including broadcasting, converge and the boundaries between them become increasingly fainter. This applies both to the convergence of networks and terminal devices on the one hand, and to the contents, on the other. Taking this into consideration, the European Commission started to review the Directives on Electronic Communications and the Television without Frontiers Directive.

The Ministry of Transport and Communications was fully aware of the above and, while drafting the new Law on Electronic Communications and the new Law on Broadcasting Activity, it incorporated into these Laws the vision of the future convergence of their respective sectors, at the same time leaving space for the introduction of information society to all social segments. The two Laws are completely harmonized with and complementary to not only each other, but the EU standards, principles and directives, as well.

The medium-term plans of the Ministry of Transport and Communications project amendments to the Law on Electronic Communications and the Law on Broadcasting Activity, which will be contingent upon the adoption of the revised European Union directives in these two sectors.

B) INSTITUTIONAL FRAMEWORK

In accordance with the strategic plans of the Ministry of Transport and Communications, Sector of Communications, for the period 2006 – 2008, and with the aim of providing efficient functioning of the Sector of Communications, which implies monitoring and implementation of EU legislation, filling of 10 more positions at the Sector of Communications has been planned.

It has also been planned for Amendments to the Law on Broadcasting Activity and the Law on Electronic Communications to be drafted and passed in 2007.

3.10.3.2 FILM FUND

CURRENT SITUATION

a) LEGAL FRAMEWORK

Film industry, cinematic sector and the field of copyright and related rights protection, in accordance with the Law on Culture (Official Gazette of the Republic of Macedonia No. 66/03 – Final Text), the Law on the Establishment of the Cinematheque of the Socialist Republic of Macedonia (Official Gazette of the Socialist Republic of Macedonia No. 20/74), the Law on Compulsory Copy (Official Gazette of the Republic of Macedonia No. 11/94) and the Law on Copyright and Related Rights (Official Gazette of the Republic of Macedonia No. 47/96, 3/98, 98/02 and 4/05), fall within the competence of the Ministry of Culture.

As stipulated in the Law on Culture, film industry is an activity for production of cinematographic, television and video film and other audiovisual products or other artistic works, presented as series of related motion pictures, with or without sound, regardless of the medium that contains them. According to the Law, other audiovisual services, such as technical processing of films, distribution and public screening of the works are not considered as activities belonging to the field of culture and they are performed in compliance with the general regulations on commerce activities. Cinematheque related activities, as they refer to protection and preservation of the moveable cultural heritage, are also considered film activity, in accordance with the relevant culture regulations.

According to the Law, national interest in the film industry is funded on the basis of a public call published in the mass media, in the month of May of the current year, for the coming year. After the Call, the commissions, i.e. external associates of the Minister of Culture, appointed by the Minister of Culture, propose to the Minister projects and matters of national interest to be included in the Annual Program for Funding National Interest in Culture. The Minister of Culture passes the Annual Program for Funding National Interest in Culture and publishes it in the mass media.

On July 1, 2003, the Republic of Macedonia joined the European Convention of Cinematography (Official Gazette of the Republic of Macedonia No. 18/03), on the basis of which the obligations arise (financial, creative, technical, etc.) related to signing bilateral film co-production agreements or to official verification of co-productions, in cases of non-existence of bilateral agreements between the Republic of Macedonia and the countries with whom co-production projects are implemented. The Republic of Macedonia's obligations arising from the Convention also include those with the European Co-production, Distribution and Cinema Screening Fund – EUROIMAGES.

International Film Co-production projects are implemented on the basis of the Convention, while the Republic of Macedonia's membership at EUROIMAGES provides conditions for cooperation in film productions with other European countries and using resources from these funds for the implementation of film production.

The Republic of Macedonia's membership at the European Audiovisual Observatory enables using the information from their databases and the information pertaining to the audiovisual sector and legal regulations. The Republic of Macedonia is also member of South East European Cinema Network, whose seat is in Thessalonica, Greece.

The Law on Protection of Cultural Heritage (Official Gazette of the Republic of Macedonia No. 20/04) defines a new kind of moveable cultural heritage – sound archive works, as an authentic material of recorded sounds, i.e. original oral, musical or other kind of sound recordings or their copies, regardless of the format, sound recording technique and medium type, including the compulsory phonogram sample, submitted to the competent institution, in accordance with the law.

b) STRATEGIC DOCUMENTS

The National Culture Program for the Period from 2004 to 2008 (Official Gazette of the Republic of Macedonia No. 31/04) is a strategic document regarding audiovisual policy, and it stipulates the medium-term development directions aiming at the accomplishment of the national interest in culture. One of the priorities of the National Culture Program is the adoption of a Law on Film Fund.

c) INSTITUTIONAL FRAMEWORK

According to the Law on Organization and Operations of the State Administrative Bodies (Official Gazette of the Republic of Macedonia No. 58/2000), the Ministry of Culture, as the competent state body, performs the activities pertaining to: monitoring, analyzing, proposing acts and measures aiming at development and promotion of culture, culture related operations and activities, copyright and related rights protection, supervision which belongs to the Ministry's competences and other matters prescribed by the law.

Hence, based on the existing systematized job description at the Ministry of Culture, standardization and implementation of audiovisual policy is carried out by two sectors: *Sector for Normative and Administrative Affairs and Copyright and Related Rights* and *Sector for Artistic Creative Work and Activities*, with 6 units. As part of the Sector for Artistic Creative Work and Activities, the Unit of Film and Drama Activities performs activities related to drama and film creation, such as – preparing studies, analyses, elaborate reports and programs, monitoring, studying and researching the state of affairs in the industry, programming and monitoring the implementation of the Annual Program for Funding National Interest in Culture, participation in proposing activities belonging to the sphere of international cultural cooperation (See Chapter 26).

Competent for operations pertaining to keeping record, documentation, valorisation, fostering and other ways of providing expert protection of sound archive works is the National Institution – National and University Library "St. Kliment Ohridski" – Skopje.

The Cinematheque of the Republic of Macedonia was established in 1974 and commenced operations in 1976, with the basic activities including research, protection, preservation, processing and public screening of films and film materials from the national film production and from world cinematography, as well. Cinematic items are a special kind of movable cultural heritage, defined by the Law on Protection of Cultural Heritage.

Still missing are relevant conditions for the establishment of a new legal entity – National Sound Archive, as are those for special kind of organization of sound archive works, at the level of independent branch in the field of culture.

SHORT-TERM PRIORITIES

a) LEGAL FRAMEWORK

The Law on Culture stipulates that particularly complex and sizeable operations in the field of culture may be funded by means of establishing culture funds as national institutions, in accordance with the provisions pertaining to national institutions. In addition, the National Culture Program for the Period from 2004 to 2008 also stipulates the need for adoption of a Law on the Establishment of Film Fund.

The Government of the Republic of Macedonia, in the middle of 2005, adopted the Information on the need for adoption of a Law on Establishment of Film Fund and assigned the Ministry of Culture to prepare a Proposal for adoption of a Law on Establishment of Film Fund. The Assembly of the Republic of Macedonia adopted the Proposal at the end of 2005. The second stage of the adoption of draft law is under way and it has been planned for its adoption to take place in the second quarter of 2006, which will provide harmonization with the European Convention on Co-production in Cinematography. The Law on Film Fund will have delayed application as of January 1, 2007. The adoption of this Law is also in compliance with the conclusions on diffusing the competences of the Minister of Culture, with regard to decision making on funding activities in the field of culture, which are included in the National Report of the Council of Europe on the Republic of Macedonia's Cultural Policy.

Ministry of Culture has access to the EU Program MEDIA, through EU member states, more specifically through participation in a screenplay development project. Ministry of Culture will provide conditions for participation in projects dealing with production development, distribution of film and audiovisual programs, promotion of creation of film and audiovisual programs.

b) INSTITUTIONAL FRAMEWORK

Strengthening of the Ministry capacities has been planned by employing 2 persons at the Sector for Normative and Administrative Affairs and Copyright and Related Rights. According to the new acts related to organization and systematized job description at the Ministry of Culture, this Sector will be divided into two sectors – Sector for Normative and Administrative Affairs and Sector for Copyright and Related Rights (See Chapter 7 –Intellectual Property Right).

The Film Fund will be established and it will operate as a national institution in the field of culture, and as an entity, it will be a beneficiary of the Budget of the Republic of Macedonia. Beside the budget funds, it will be financed by other alternative sources of funds. The establishment of the Fund will provide conditions for continued generation of resources to finance the film industry through film projects, as well as to promote, stimulate, present and foster film creativity. The Fund will operate independently, transparently and autonomously. The fund-based model of financing the art of film is the only financing model, accepted almost everywhere in Europe. Studies pertaining to the need and rationale for this method of financing have been developed by the European Audiovisual Observatory of the Council of Europe and by European Audiovisual Entrepreneurs. The National Institution – Film Fund is in a need for filling 5 new jobs in 2007.

INSTITUTION BUILDING REQUIREMENTS							
Budget No.	Institution	2006	2007	2008	2009	2010	Total
04001	GRM - MIN (IT)	20	30	20	20	10	100
04001 Total		20	30	20	20	10	100
13001	Ministry of Transport and Communications – Sector for Communications	4	6	0	0	0	10
	NEW: Agency for Information Society (AIS)	0	25	0	0	0	25
13001 Total		4	31	0	0	0	35
18001	Ministry of Culture – Film Fund	0	5	0	0	0	5
	Ministry of Culture – Sector for Normative and Administrative Affairs	2		0	0	0	2
18001 Total		2	5	0	0	0	7
Total		26	66	20	20	10	142

3.11 AGRICULTURE AND RURAL DEVELOPMENT

3.11.1 AGRICULTURE AND RURAL DEVELOPMENT

The Agriculture and Rural Development sector in the Republic of Macedonia plays a significant role in the overall social and economic development. In the following period greater level of activities is expected, both in terms of the approximation of the European legislation and in terms of the institutional building and creation of new institutions in this field. The adoption of the Law on Agriculture and Rural Development – expected to be completed by the end of 2006 – as the highest legal act in the agriculture is the starting point of the reforms and the basis of the development not only of the sector itself, but also of the Macedonian economy as a whole. The basic principles of the Law are planning the agricultural development and development of the rural areas, measures of the agricultural policy and the beneficiaries of those measures, minimum quality and designations of the agricultural products, establishment of a database and surveillance over the implementation of those measures.

1.1. CURRENT SITUATION

LEGAL FRAMEWORK

Currently there is no systemic legal act for horizontal regulation of the agricultural sector and rural development. Certain areas in the agricultural sector are regulated by the following legal acts:

- Law on Wine (Official Gazette of the Republic of Macedonia No. 69/2004)
- Law on Livestock Breeding (Official Gazette of the Republic of Macedonia No. 61/97)
- Law on Agricultural Land (Official Gazette of the Republic of Macedonia No. 25/98)
- The Law Amending the Law on Agricultural Land (Official Gazette of the Republic of Macedonia No. 18/99, 2/2004)
- Law on Tobacco (Official Gazette of the Republic of Macedonia No. 69/96, 15/98)
- Law on Agricultural Activity (Official Gazette of the Republic of Macedonia No. 11/02)
- Law on Establishing Agency for Promoting Development in Agriculture (Official Gazette of the Republic of Macedonia No. 03/98)
- Law on Agricultural Inspection (Official Gazette of the Republic of Macedonia No. 38/04)
- Law on Organic Agricultural Production (Official Gazette of the Republic of Macedonia No. 16/04)
- Law on Pastures (Official Gazette of the Republic of Macedonia No. 3/98)
- Law on Stock Exchanges of Agricultural and Food Products (Official Gazette of the Republic of Macedonia No. 32/92)

The management and control of budgetary means earmarked for encouraging the development of agriculture is regulated by the following legal acts:

- Law on Organization and Operation of the State Administrative Bodies (Official Gazette of the Republic of Macedonia No. 58/2000)
- Law on Promoting Agriculture Development (Official Gazette of the Republic of Macedonia No. 24/92, 32/92, 83/92, 78/93, 14/96)
- Law on Budget (Official Gazette of the Republic of Macedonia No. 79/93)
- Law on State Audit (Official Gazette of the Republic of Macedonia No. 73/2004)
- Law on Audit (Official Gazette of the Republic of Macedonia No. 79/2005)
- Law on Financial Operations (Official Gazette of the Republic of Macedonia No. 42/1993 and 32/1997)
- 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, 103/2000, 37/2002, 51/2003 and 85/2003)

The situation regarding the agricultural land is currently regulated by

- Law on Agricultural Land (Official Gazette of the Republic of Macedonia No. 25/98, 18/99 and 02/04), and
- Law on Pastures (Official Gazette of the Republic of Macedonia No. 3/98)

The support of rural areas is implemented in accordance with the partial programmes implemented pursuant to the following laws:

- Law on Indebtedness of the Republic of Macedonia at the International Fund for Agricultural Development for realization of the Project for Rural Development of the Southern and Eastern Regions (Official Gazette of the Republic of Macedonia No. 7/97, 45/97)
- Decision on Raising and Use of Funds from the Foreign Economic Assistance for Agricultural Development in the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 1/98)
- Law on Promoting Agriculture Development (Official Gazette of the Republic of Macedonia No. 24/92, 78/93, 14/96)
- Law on Establishing Agency for Promoting Development in Agriculture (Official Gazette of the Republic of Macedonia No. 03/98)
- Law on Associations of Citizens and Foundations (Official Gazette of the Republic of Macedonia No. 31/98)
- Law on Waters (Official Gazette of the Republic of Macedonia No. 4/98 and 19/2000)

- Law on Water Communities (Official Gazette of the Republic of Macedonia No. 51/2003)
- Law on Water Management Enterprises (Official Gazette of the Republic of Macedonia No. 85/2003)
- Law on Promotion of Economically Underdeveloped Areas (Official Gazette of the Republic of Macedonia No. 2/94 and 39/99)
- Decision on Determining Economically Underdeveloped Areas in the Period 2003 – 2007 (Official Gazette of the Republic of Macedonia No. 2/94 and 28/03 and 2/04)
- Law on Forests (Official Gazette of the Republic of Macedonia No. 47/97, 7/2000 and 89/2004)
- Law on Hunting (Official Gazette of the Republic of Macedonia No. 20/96, 26/96, 34/97, and 69/04)
- Law on Nature Protection (Official Gazette of the Republic of Macedonia No. 67/04).

There is no integrated legal act for introduction of integrated systems of data collection and management of registers and databases, to support the creation and implementation of the agricultural policy.

The general legal framework regulating the collection of data and information and setting up and management of databases consists of the following legal acts:

- Law on Classified Information (Official Gazette of the Republic of Macedonia No. 9/2004)
- Law on Personal Data Protection (Official Gazette of the Republic of Macedonia No. 12/94, 4/02, and 07/05 and approximated to the following EU acts: 32001R0245 of the European Parliament and the Council for protection of individuals against changes to personal data by the Community institutions and bodies and protection of the free movement of such data (OJ L 8, 12.01.2001); 32002R0831 on application of the Council Regulation (EC) No. 322/97 on Community statistics, related to access to confidential information for scientific purposes (OJ L 133, 18.05.2002).
- Law on Electronic Data and Electronic Signature (Official Gazette of the Republic of Macedonia No. 34/2001, 6/2002)
- Law on State Statistics (Official Gazette of the Republic of Macedonia No. 54/97), approximated in terms of data protection to 31997R0322 (OJ: L052 of 22/02/97 Community Act on Statistics); Council of Europe, Convention 108 (81) for protection of individuals in cases of automatic personal data processing, Directive 96/46/EC of the European Parliament and Council of 24 October 1995 on protection of individuals in cases of personal data processing and free movements of personal data (OJ of the European Communities No. L 281/31), Council of Europe, Recommendation No. R(97) 18.
- Company Law (Official Gazette of the Republic of Macedonia No. 28/04).
- Law on Surveying, Land Register and Entry of Rights to Real Estate (Official Gazette of the Republic of Macedonia No. 27/86, 17/91).

The current legislation regulating the keeping of registers for various needs in the agricultural sector includes all the laws regulating individual areas of the sector, stated above. In addition to this, the existing legal acts regulating the setting up of registers in the agriculture are:

- Law on of Animal Identification and Registration (Official Gazette of the Republic of Macedonia No. 69/2004)
- Law on Plants Protection (Official Gazette of the Republic of Macedonia No. 25/98, 6/00 and Law on Plant Health (Official Gazette of the Republic of Macedonia No. 29/2005)
- Law on Seeds and Propagating Materials and Variety Recognition, Approval and Protection (Official Gazette of the Republic of Macedonia No. 41/2000)

The following strategic documents define the policy of development of the agricultural sector and the rural development:

- National Strategy for Integration of the Republic of Macedonia in the European Union, National Programme for Approximation of the Legislation (NPAL), Economic and Social Part, section 3.6.14 Agriculture, stating the priorities of the agricultural policy.
- Strategy for Adjustment of the Macedonian Agricultural and Food Production Sector to the Common Agricultural Policy (CAP) of EU and the Operational Plan for Implementation.

b. INSTITUTIONAL FRAMEWORK

The Ministry of Agriculture, Forestry and Water Economy (MAFWE), with all of its sectors, administrations and inspectorates, is in charge of drafting the legal acts in the field of agriculture and rural development.

By adoption of the Government Decision (Official Gazette No. 05/2006), MAFWE was designated as the Managing Body in charge of the rural development in the Republic of Macedonia. The Sector for Financial Support of Agriculture and Rural Development within the MAFWE is assigned to draft the legal acts related to rural development. The Sector is consisted of two units: the Unit for Financial Support and the Unit for Rural Development, with total number of 10 employees.

Currently there is no institution in the Republic of Macedonia able to manage the EU funds aimed for development of the agriculture and rural areas in the pre-accession period. The partial programmes for rural areas development are implemented through the Ministry

of Local Self-Government, the Ministry of Transport and Communications, Ministry of Environment and Physical Planning, and other state institutions.

With regard to the introduction of an integrated Agricultural Information System (AIS), there is currently no separate Sector/Unit within the MAFWE in charge of integrating and managing the AIS. Certain databases are kept within the Sector for Agriculture, Veterinary Directorate, Plants Protection Directorate, and the Seed and Planting Materials Directorate. The other institutions collecting and processing data in the field of agriculture are the State Statistical Office, the National Extension Agency, the Public Enterprise Agro-Stock Market, and the State Authority for Geodetic Works.

Presently, the Unit for Land Policy, within the Sector for Agriculture of the MAFWE, is competent for the creation and implementation of the land policy according to the Law on Agricultural Land.

The MAFWE initiated a workshop on "The Current Situation of AIS in the Republic of Macedonia", during which each of the institutions individually presented its data registers and the manner of data collection, for the purpose of introducing an integrated AIS. Also, the Ministry carried out professional development (training) of the Sector for Financial Support of Agriculture and Rural Development. These two activities were supported by the Project for Structural and Legal Reforms of the MAFWE, funded by EU and managed by EAR. One of the components of this project is the Rural Development Component supporting the following activities: the process of development of a Strategy for Development of Agriculture and Rural Areas, the preparation and implementation of the Pilot-Program for Rural Development (following the EU rules) and preparations for the establishment of a Payment Agency.

As part of the Twinning Program of the Government of the Republic of Macedonia with the Republic of Slovenia, the employees in the Sector for Financial Support in Agriculture and Rural Development underwent a training program in 2005 on the basis of establishing a Payment Agency.

1.2. SHORT-TERM PRIORITIES

Law on Agriculture and Rural Development

Preparations are underway of a Law on Agriculture and Rural Development and the adoption of this law is expected towards the end of 2007. The Law is a systemic legal act which creates the legal framework for the implementation of all reforms in the policy and institutions in the agricultural and food production sector and the rural areas. The basic principles of the Law are planning the agricultural policy and development of rural areas, measures of the agricultural policy and the beneficiaries of such measures, minimum quality and designations on agricultural products, setting up databases and surveillance over the implementation of such measures.

Having regard to the issues regulated by this Law, its coming into force will prevail over the Law on Promoting Agriculture Development and the Law on Agricultural Activity.

The Law on Agriculture and Rural Development will be in compliance with the provisions of the Council of EEC: Regulation No. 26, which imposes certain rules related to competition in the production of and trading in agricultural products (OJ 030 20.04.1962, p. 993), and will partially be in compliance with the EU legal acts in the following areas:

- Establishment of advisory and expert bodies for support of the agricultural policy;
- Regulation of the markets of certain agricultural and food products;
- System of direct support of the agricultural producers;
- Protection of geographical indication, appellations of origin and traditional markings on agricultural and food products;
- Rural Development Support Policy;
- Support for scientific and research projects in the area of agriculture;
- Agricultural Information System (AIS);

National Strategy for Agricultural and Rural Development

Preparations are underway of the National Strategy for Agricultural and Rural Development, accompanying operational plans for its implementation (National Programme for Agricultural Development and National Program for Rural Development). The Strategy and the plans will be adopted by the Assembly of the Republic of Macedonia, while the Government and the competent bodies will propose measures and programmes for realization. The aim of the strategy is to identify an efficient policy for development of the agriculture and rural areas in compliance with the EU Common Agricultural Policy (CAP).

Setting up of an Inter-ministerial Group for Rural Development, necessary for the development of a Rural Development Plan, which will be an integral part of the National Strategy for Agriculture and Rural Development. The Inter-ministerial Group will be established by the Government of the Republic of Macedonia, upon proposal of MAFWE and will act as a body in charge of formulating an integrated national rural development policy.

Development of the IPARD Plan, which is a plan for pre-accession support for the agriculture and rural development in the Republic of Macedonia. This document will include a description of the foreseen measures and activities in the area of agriculture and rural

development that are to be financially supported, and a justification with detailed explanation of the measures foreseen, to ensure effective and efficient use of the EU funds. The plan for agricultural and rural development, i.e. the "IPARD Plan", will be developed in the form of a legal act that will also state the national co-financing in the form of financial arrangements between the European Commission and the Republic of Macedonia. The IPARD Plan will include: a Preliminary Assessment, Sector Analysis, National Strategy for Agricultural and Rural Development, Report on the legislation serving as the basis for the IPARD Plan, description of the institutions involved, description of the selected IPARD measures of support for the Republic of Macedonia, financial table(s)/details for allocation of funds by measures and years, support and co-financing rates, details on the implementation of the Plan and arrangements for monitoring and assessment.

Act on administrative structure for use of the EU instruments for rural development

The basic precondition for the use of funds from the EU pre-accession funds and for implementation of the measures of support for the agriculture funded by the Budget of the Republic of Macedonia is the establishment of an institution in charge of the implementation of the measures of financial support for the agricultural and food production sector. The institution, being an body within the MAFWE, will be responsible for the implementation of the policy and measures of the Government of the Republic of Macedonia. In addition, the following bylaws for operation of the Payment Agency will be adopted:

- Rulebooks on implementation of the rural development measures, defined in accordance with the Strategy and Plan for Agricultural and Rural Development;
- Written procedures on administrative and accounting activities;
- Accreditation by an authorized national body;
- Accreditation by competent authorities and approved by the European Commission;
- Completion of the entire procedure for accreditation of the Payment Agency (written procedures on administrative and accounting activities related to the Structural Funds);
- Designation of a Certifying Body;
- Setting-up of a Monitoring Committee;
- Budgeting the national co-financing.

Operational Programme for Adoption of Bylaws in accordance with the Law on Agriculture and Rural Development

More than 200 acts should be adopted for implementation of the Law; still the dynamics of drafting and adoption of those acts will be determined in the Operational Programme. It will contain in detail all activities required for adoption of the bylaws (translation of EU Directives, conduct of appropriate analyses and studies).

Law on Agricultural Land

Preparations are underway of a Law on Agricultural Land, the adoption of which is expected to take place by the end of 2006. The new Law will reorganize and introduce uniformity in the management and use of agricultural land and pastures in state ownership.

Strategy and operational plan for the Agricultural Information System

The drafting of the strategy and operational plan for establishment of a sustainable and efficient Agricultural Information System is underway. The preparatory work includes modelling of data, defining exchange standards and formats, quality control procedures and an overall strategy for application of information and communication, development of a market information system for agricultural and food products, and setting up a National AIS Committee.

Plan for Maintenance and Development of a Farm Monitoring System (FMS)

For the purpose of preserving the existing FMS and defining the directions of development and improvement of the System and its transformation into a Farm Accountancy Data Network (FADN) in compliance with EU, project documentation will be prepared for the establishment of a Farm Accountancy Data Network (FADN).

The Law on Agriculture and Rural Development introduces a new institutional infrastructure for its successful implementation. At the beginning, appropriate body for implementation of measures for the agricultural policy and rural development will be formed, which at a later stage it will be transformed into a Payment Agency. In addition, a further reorganization of the MAFWE will take place through the introduction of a Sector for Agricultural Information System and Agricultural Policy Analysis, a Sector for Agriculture and Rural Development, and a Land Directorate.

Establishment of a Payment Agency

The Agency will be in charge of managing the EU funds for development of the agriculture and rural areas in the pre-accession period and implementation of the national program for financial support of the agricultural sector. The accreditation of the administrative structure for implementation of the IPARD and the national agricultural program is expected to be completed by the end of 2007, which will enable the use of IPA for rural development purposes.

Setting up a Sector for Rural Development

The Sector will be responsible for setting, developing and implementing a rural development policy within the MAFWE.

Setting up a Sector for AIS and Agricultural Policy Analysis within MAFWE

As a result of the necessity to include the EC recommendations and the needs to provide support for the agricultural policy in the process of adjustment to the CAP of EU, the proposed Sector will include the following elements: analysis of the agricultural policy, integrated system of data on agricultural households (databases and registers) including all the elements of the AIS – Farm Monitoring System/Farm Accountancy Data Network (FMS/FADN), market information system for agricultural and food products, agricultural statistics and economic accounts for agriculture.

Establishment of a Land Directorate

A Land Directorate will be established as a body within MAFWE, for the purpose of introducing, managing and keeping a register of land parcels (parcel number, parcel borders, area, owner, user), i.e. a register of the true use of the agricultural land, as well as the databases for state land and pastures and the current users/lessees of the land and pastures. Until the establishment of the Land Directorate, the initial setting up and keeping the land parcels register will be the responsibility of the Unit for Agricultural Policy within the Sector for Agriculture.

The Law on Agriculture and Rural Development will serve as base for a closer connection with other agencies and institutions in the agricultural and food production sector, and particularly with the Ministry of Economy, Ministry of Finance, Ministry of Health, Ministry of Environment and Physical Planning, State Statistical Office, Ministry of Education and Science, Ministry of Local Self-Government, State Authority for Geodetic Works, non-governmental organizations and sector-related organizations.

To ensure successful implementation of the Law, the existing and newly established institutions will need to employ new appropriate staff in addition to the currently hired employees. They also have to be equipped with adequate information technology, professional development through additional trainings and seminars of the existing staff, and engaging of local and international experts.

MAFWE will draft the Law on Agriculture and Rural Development, with technical support provided as part of the Project of Introduction of EU Directives in the Macedonian Agricultural Policy and Support for the Agricultural and Food Production Sector with the countries in the region, funded by the German Government. The technical support was provided by the Project for Structural and Legal Reforms of MAFWE, which is funded by EU and managed by EAR. The same project will also provide technical assistance for adjustment of the administrative structure for usage of the EU instruments for rural development. In addition, support will be provided in the establishment of the Payment Agency and technical support in a strategy and operational plan for the Agricultural Information System and development of the project documentation for the establishment of the Farm Accountancy Data Network (FADN). Technical support is also required for the development of an operational programme for adoption of the bylaws pursuant to the Law on Agriculture and Rural Development and in the process of development of the bylaws according to the determined dynamics. For the realization of the operational programme, expertise assistance and consulting services is needed, translation of Directives and regulations, and further training of the existing staff. All of these will require provision of additional budget funds. Also, technical assistance is needed for setting up the Land Directorate..

1.3 MEDIUM-TERM PRIORITIES

Bylaws pursuant to the Law on Agriculture and Rural Development

About 200 bylaws are expected to be passed under this Law. The dynamics of those activities will be defined in the Operational Program, which will be adopted by the end of 2006. The legislative activities and the reforms in the agricultural and food production sector will be prepared and adopted during the mid-term period.

Farm Accountancy Data Network (FADN)

Introduction of a network for collection of accounting data on the income and business operations of the agricultural households in the Republic of Macedonia pursuant to 31965R0079, due to the necessity of support for the agricultural policy in the process of adjustment to the EU CAP.

Integrated Administrative Control System (IACS)

Establishment of an Integrated Administrative Control System (IACS) in accordance with 32003R1782 and 32004R0795, for the purpose of efficient implementation of the measures for support of the agriculture sector. Computer database, as a single register of farms, will be established for that purpose of data modelling, defining of standards and formats for exchange, control procedures for data quality and an overall strategy for application of information and communication (including an alphanumeric identification of agricultural parcels in accordance with the land parcels register and a System of Identification and Registration of Animals). IACS will also include the following systems as part of the activities for financial support of agricultural producers (through the Payment Agency): System for Identification and Registration of Payment Orders, Applications for Financial Support, Integrated Control System, and unique system of recording the identity of every farmer submitting an application for support.

Bylaws pursuant to the Law on Land

The following bylaws will be adopted in this period, for the purpose of implementing the Law on Agricultural Land:

- Criteria for leasing agricultural land;
- Protection of land against erosion and other destructive impacts on land;
- Manner of keeping land records.

INSTITUTIONS

Introducing a Council to the Minister

For the purpose of providing expert assistance in the policy-making and proposing appropriate measures on significant and important issues in the agricultural and food production sector and on rural development, an advisory body will be established, which body will be consisted of representatives of relevant institutions.

The Agricultural and Rural Areas Council will consists of representatives:

- The Chamber of Commerce of the Republic of Macedonia (1);
- Association of Chambers of Commerce (1);
- Faculty of Agricultural Sciences and Food (1);
- Faculty for Veterinary Medicine (1);
- Agricultural institutes (1);
- Institute for Livestock Breeding(1);
- Economic Institute (1);
- Institute of Southern Plants (1);
- Tobacco Institute (1);
- Federation of Macedonian Farmers (1);
- Federation of Farmers in the Republic of Macedonia (1);
- Secondary schools for agriculture (1);
- And other representatives.

Strengthening the Land Directorate, staffing, equipping and professional training of the employees

To ensure the management, introduction and maintenance of a land parcels register (parcel number, parcel borders, area, owner, user), i.e. a register of the true use of the agricultural land, as well as the databases for state land and pastures and the leasing of such land and pastures, the Land Directorate needs to complete its staffing.

Agricultural Land Parcel Identification System (LPIS)

Introduction of an agricultural land parcels identification system (LPIS) in accordance with 32003R1782 and 32004R0795, for the purpose of recording the management of the use of land parcels.

Strengthening and staffing of the Sector for Rural Development

Staffing of the Sector for Rural Development as the institution in charge of setting, coordinating and implementing the policy for rural area development.

Strengthening the capacity of the newly formed Payment Agency

In accordance with the foreseen competencies of the Agency for Implementing Measures of National Programs for Support and the capacity required for the development of appropriate mechanisms for managing the EU pre-accession funds, as well as the other accompanying activities in terms of: registration of applications (regional office), approval of applications, authorization of payments, carrying out payments, accounting and internal audit, system of checks and controls / on-site inspections, and preparations of operational reports. The IPARD Plan will determine series of additional measures to be implemented in the medium-term related to the IPARD management and the IPARD agency.

Strengthening the capacity of the market intervention body because of the possible needs of interventions on the market of agricultural and food products

For purpose of managing of the agricultural policy and regulating the market for agricultural and food products, strengthening of the capacity for intervention on the market is necessary, as well as storing and keeping goods, sale of goods in cases determined by law.

3.11.2 LIVESTOCK BREEDING

2.1 CURRENT SITUATION

a. LEGAL FRAMEWORK

The field of livestock breeding in the Republic of Macedonia is covered by the Law on Livestock Breeding (Official Gazette of the Republic of Macedonia No. 61/97), which regulates the breeding of and trading in cattle, sheep, goats, pigs, horses, poultry, cunucules and other animals of economic importance; also manufacturing of livestock products, manufacturing and trading in semen and embryos, manufacturing and trading feeding stuffs products, and other livestock-related issues. The Law also defines the authorizations of the legal entities regarding the basic keeping of a Herd Book, selection and monitoring in livestock breeding, as well as regarding the authorizations to manufacture and trade in semen and embryos. In addition to the Law on Livestock Breeding, the following legal acts also regulate the field of livestock breeding:

- Law on Veterinary Health (Official Gazette of the Republic of Macedonia No. 28/98)

- Law on Animal Identification and Registration (Official Gazette of the Republic of Macedonia No. 69/04)

The strategic documents that define the policy and direction of development of the area are National Livestock Breeding Program of the Republic of Macedonia 2000 -2009 (Official Gazette of the Republic of Macedonia No. 17/2000) and the Strategy for Adjustment of the Macedonian Agricultural and Food Production Sector to the EU Common Agricultural Policy (CAP).

b. INSTITUTIONAL FRAMEWORK

The Sector for Agriculture within the Ministry of Agriculture, Forestry and Water Economy is the competent body for the drafting, proposing and implementation of the legislation, as well as with administrative and expert issues in the area of livestock breeding.

The implementation of acts in the field of livestock breeding is under the competence of the Unit for Livestock Breeding (Sector for Agriculture), which has a staff of one employee. Besides the Unit for Livestock Breeding, the State Agriculture Inspectorate is also responsible for the surveillance over the implementation of the provision provided by the Law on Livestock Breeding. The Inspectorate's structure includes a Sector for inspection and surveillance in the area of crop production, livestock, fisheries, and land policy, with total number of twenty four (24) employees, out of which one head of a sector, five (5) head of regional units, and eighteen (18) state inspectors allocated in the six (6) regional units of the sector. The Institute for Livestock Breeding - Skopje of "Ss. Cyril and Methodius" University is the institution authorized to maintain the Herd Book, selection and monitoring of livestock.

2.2 SHORT-TERM PRIORITIES

Until the completion of the activities related to the drafting of the Law Amending the Law on Livestock Breeding and the related bylaws that will ensure complete transposition of the EU legislation into the national one, there is a need of revising the current Law on Livestock Breeding.

Moreover, the Law Amending the Law on Livestock Breeding and the related bylaws will ensure harmonization of the country's legislation with that of the EU in the fields of identification of criteria for associations and organizations of livestock breeders, harmonization of the conditions of maintenance of the Herd Book and monitoring, the zoo-technical standards and the genealogical conditions for importing animals, and the collection and dissemination of information related to the marketing of pure race heads of livestock.

The Law Amending the Law on Livestock Breeding, once adopted in 2007, will regulate the field of zoo-techniques. The related bylaws will cover the EU measures on the high-quality and elite reproductive livestock in terms of the production and reproduction abilities, testing of male reproductive livestock (pro-gene testing), the maintenance of Herd Book, manner of keeping records of the type, quality, quantity, and delivery of semen for artificial insemination, records of the type and quantity of fertilized ova and embryos and the manner of keeping and transplantation of embryos, feeding stuffs requirements in terms of its composition and quality, etc.

The staffing of the Unit for Livestock Breeding within the Sector for Agriculture will be completed by 2 (two) new employees.

2.3 MEDIUM-TERM PRIORITIES

In the light of accomplishing the medium-term priorities in regard to the harmonization of the legislation, the capacity building of the institution will be conducted through internal reorganization of the Sector for Agriculture.

3.11.3 ORGANIC AGRICULTURAL PRODUCTION

3.1. CURRENT SITUATION

a. LEGAL FRAMEWORK

The Law on Organic Agricultural Production (Official Gazette of the Republic of Macedonia No. 16/04) regulates the production, processing, trading, export-import, labelling, expert control and certification, programme for promotion and development of the organic agricultural production, surveillance, and penalty provisions. The Law in compliance with the EEC Council Regulation No. 2092/91 on organic agricultural production and indications related to agricultural and food products, and is partially harmonized with the EU legal acts 31992R0094; 32001R1788; 31998R1367; 31999D0468.

The following strategic documents are defining the development policy in this area: the Stabilisation and Association Agreement between the Republic of Macedonia and the European Communities and their Member Countries, the Strategy for Adjustment of the Macedonian Agricultural and Food Sector with the EU Common Agricultural Policy (CAP), and the Strategy with an Action Plan for Biological Diversity Protection

b. INSTITUTIONAL FRAMEWORK

The following institutions are competent in preparation of the legal acts in the area of organic agricultural production:

- Ministry of Agriculture, Forestry and Water Economy, as the organ competent for organic agricultural production, setting and proposing policies related to this field;
- Ministry of Environment and Physical Planning, as the institution competent to grant licenses for export of products of self-sown plants and subsidiary forest fruits;

- The Ministry of Health is the institution competent for protection of human health and protection of consumers against deceit;
- The Ministry of Economy is the institution in charge of regulating the turnover of the internal and external markets.

The following institutions are in charge of implementing the regulation in the fields of organic agricultural production, consumer protection, protection of human health, and trading in organic products:

- Unit for Organic Agriculture, Sector for Agriculture within MAFWE (with one employee only) - is in charge of the following activities: development of policies of introducing and developing organic agricultural production, registration of the involved entities, monitoring and record keeping of the situation in the production, processing of and trading in organic products, and cooperation with related governmental and non-governmental institutions and organizations;
- State Agriculture Inspectorate, the State Market Inspectorate, the Food Directorate, and the State Environment Inspectorate are responsible for surveillance and control of the implementation of the legislation in this area.
- Ministry of Environment and Physical Planning is competent for sustainable use of natural resources through issuing of licenses for exports and processing of certain plant varieties, protection against extinction of endangered plant varieties by published lists of strictly protected species, and protection against pollution of waters, soil and biodiversity as a whole;
- The Ministry of Economy is in charge of consumer protection and inspection and surveillance of the implementation of the regulations related to the internal trade in organic products;
- The Ministry of Health is responsible for the protection of human health, which is defined in the Committees' Codex Alimentarius;
- The Ministry of Finance is responsible for the implementation of the customs regulations through its Customs Administration;
- The Institute for Accreditation of the Republic of Macedonia is responsible for accrediting the bodies authorized for organic agriculture inspection and certification, as well as inspection and certification of organic products in accordance with the international criteria;
- The Institute for Standardisation of the Republic of Macedonia adopts the technical regulations (standards) in this area;
- The State Office of Industrial Property is in charge of registration of organic products trade marks.

3.2 SHORT-TERM PRIORITIES

Adoption of 12 bylaws in line with the EU acts in the field of organic production is projected. Also, the Unit for Organic Agriculture will be staffed with two (2) new employees. .

3.3 MEDIUM-TERM PRIORITIES

Further staffing of the Unit for Organic Agricultural Production is planned in order to ensure the realization and implementation of the provisions in the Law and the bylaws.

3.4 FOREIGN ASSISTANCE

The foreign aid in the area of organic agricultural production is realized through the Organic Agricultural Production Project (SDC-FIBL from Switzerland) and a part of the activities of the Project for Structural and Legal Reforms of MAFWE (CARDS – 2004).

3.11.4 WINE

4.1. CURRENT SITUATION

a. LEGAL FRAMEWORK

The legal framework of the wine production in the Republic of Macedonia is contained in the Law on Wine (Official Gazette of the Republic of Macedonia No. 69/2004). As the bylaws related to the Law on Wine are in a stage of adoption, part of the provisions in the Law on Wine (Official Gazette of the SRM No. 27/1973) are still in force, as well as the Rulebook on Regionalization of Vineyards on conditions for producing and trading in grapes, must and wine and products made from grapes and wines, and determining the quality and protection of the geographic origin of wines and labelling in SR Macedonia (Official Gazette of the SRM No. 27/1973).

The Law on Wine (Official Gazette of the Republic of Macedonia No. 69/2004) regulates the production and trading in grapes and wine and other products made from grapes and wine, the national register of vineyards, rights and obligations of the legal and natural entities producing and trading in wines, the description, designation, marking, presentation, and protection of wine. The Law on Wine (Official Gazette of the Republic of Macedonia No. 69/2004), as the general frame regulating the sector, is in compliance with the EU measures respectively to the 31999R1493 on common organization of the wine market (OJ L 179 14),.The harmonization with the other EU measures in this field will be achieved by the adoption of 13 bylaws.

The Strategy for Adjustment of the Macedonian Agricultural and Food Sector with the EU Common Agricultural Policy (CAP) is the single strategic document in function of defining the policy and the guidelines for development in this field.

Due to its considerable significance for the agriculture in the Republic of Macedonia, the wine sector was also taken into account in the Stabilisation and Association Agreement (SAA): on the basis of its Article 27 (4), an Additional Protocol was adopted on the adaptation of the trading aspects of the SAA entered into the Republic of Macedonia, on one hand, and the European Communities and its Member States, on the other.

b. INSTITUTIONAL FRAMEWORK

The Sector for Agriculture within the Ministry of Agriculture, Forestry and Water Economy is the competent body for drafting, proposing and implementation of the legal acts in the area of wine production.

The implementation of the Law on Wine (Official Gazette of the Republic of Macedonia No. 69/2004) is under the competence of the Unit for Viticulture, Wine Production and Fruit Growing (Sector for Agriculture), staffed with one (1) employee. In addition to the Unit for Viticulture, Wine Production and Fruit Growing, the State Agriculture Inspectorate within the Ministry of Agriculture, Forestry and Water Economy is the other body directly responsible for the implementation of the provisions in the Law on Wine. Within the Inspectorate, there is a Sector for inspection and surveillance in the field of fruit growing, viticulture, wine production and seedlings, consisting of 2 regional units and 1 unit for expert and administrative operations. Currently, the sector employs six (6) employees, out of which one is a head of a regional unit with 2 state inspectors – advisers and one head of the Unit for expert and administrative operations with two (2) employees.

The activities of inspection and surveillance of the trading in wine is carried out by the body competent for trade inspection, i.e. the State Market Inspectorate (Ministry of Economy).

4.2. SHORT-TERM PRIORITIES

In the field of wine production 13 bylaws will be adopted emerging from the Law on Wine (Official Gazette of the Republic of Macedonia No. 69/2004) to introduce the EU measures contained in the regulations/directives in this field.

In addition, another priority as an obligation under Article 5 of the Law on Wine is the adoption of a National Strategy of Viticulture and Wine Production Development. The Strategy will be adopted by the end of 2007.

The following short-term priorities are planned regarding the institutional strengthening of the sector:

Enhancing the human capacity of the wine sector by employing 7 individuals in the first quarter of 2006 in the Unit for viticulture, wine production and fruit growing, as well as in the regional units of the MAFWE;

Procurement of equipment to ensure complete functionality of the system (IT, hardware and software) shall be conducted in the first quarter of 2006. The funds have been provided through the project “Vineyard Monitoring and Management System”, funded by the CARDS 2002 Programme of the EU and managed by the European Agency for Reconstruction;

Establishment of the first territorial database to introduce the National Register of Vineyards in the second quarter of 2006; the funds have been provided through the project “Vineyard Monitoring and Management System”, funded by the CARDS 2002 Programme of EU and managed by the European Agency for Reconstruction;

Pilot project on registration of vineyards in the last quarter of 2006; the funds have been provided through the project “Vineyard Monitoring and Management System”, funded by the CARDS 2002 Programme of the EU and managed by the European Agency for Reconstruction; and

Procurement of equipment for full functionality of the National Vineyards Register on the entire territory of the Republic of Macedonia (IT, hardware) in the second quarter of 2007; funds in amount of MKD 700,000 are to be provided from the state budget.

4.3. MEDIUM-TERM PRIORITIES

The following short-term priorities regarding the institutional strengthening of the sector are planned:

Strengthening the human capacity of the wine sector: employment of 7 individuals in the first quarter of 2006 in the Unit for Viticulture, Wine Production and Fruit Growing and in the regional units of the Ministry of Agriculture, Forestry and Water Economy;

Completion of the territorial database and introduction of a National Vineyards Register in the first quarter of 2009; a portion of the funds will be provided through a project funded by the EU CARDS 2006 Programme; and

Strengthening the capacity of a referent laboratory for examining the quality of wine in the fourth quarter of 2008; the funds would be provided through a project funded by the EU CARDS 2006 Programme.

4.4 FOREIGN ASSISTANCE

The Republic of Macedonia receives foreign aid for the sector in the amount of Euro 0.9 million through the project “Vineyard Monitoring and Management System”, funded by the CARDS 2002 Programme of the EU and managed by the European Agency for Reconstruction.

The realization of another project funded by the EU CARDS 2006 Programme is also foreseen.

3.11.5 TOBACCO AND TOBACCO PRODUCTS

5.1. CURRENT SITUATION

a. LEGAL FRAMEWORK

The Law on Tobacco (Official Gazette of the Republic of Macedonia No. 69/96, 15/98) is in force and under the competence of the MAFWE. The Law also regulates the production, purchase, and processing of raw tobacco leaves, as well as the surveillance and penalties through the following legal acts:

- Rulebook on the measurements for quality and quantity assessment of the raw tobacco leaves (Official Gazette of the Republic of Macedonia No. 38/97, 110/2000);
- Decision on determining production regions and areas and types of raw tobacco leaves grown in such regions and areas (Official Gazette of the Republic of Macedonia No. 24/97, 30/97, 38/97, 29/99, and 57/2003);
- Rulebook on the contents and the manner for issuing the cardboard for tobacco production (Official Gazette of the Republic of Macedonia No. 18/98);
- Rulebook on the size of the space for quality storage, keeping and processing of tobacco, equipment in purchase premises and instruments required for measuring humidity and sand in tobacco (Official Gazette of the Republic of Macedonia No. 30/98);
- Guidelines on the manner for application, the form and the content of the application form for the arranged production, the manner of keeping records of the purchased and processed tobacco quantities from the last harvest (Official Gazette of the Republic of Macedonia No. 24/97); and
- Rulebook on the form and the contents of the license for tobacco assessment and, the manner of taking the exam for the license for tobacco assessment (Official Gazette of the Republic of Macedonia No. 38/97).

The Law on Food Safety and Products and Material Coming into Contact with Food (Official Gazette of the Republic of Macedonia No. 54/2002) regulates the protection of human health, protection of consumers against deceit, trading on the internal and external markets, allowed levels of contained tar and nicotine, labelling, promotion, and measures of warning on the tobacco products.

Strategic documents defining the policy and guidelines for development of the sector are the Strategy for Control of Tobacco, adopted for the purpose of ensuring and improving the protection of the health of the population in the Republic of Macedonia in the period 2005 – 2010 and the Strategy for Adjustment of the Macedonian Agricultural and Food Production Sector to the EU Common Agricultural Policy (CAP).

b. INSTITUTIONAL FRAMEWORK

The following institutions are responsible for drafting the legal acts related to the tobacco production and industry:

- MAFWE, as the body competent for the tobacco production and formulating and proposing relevant policies;
- The Chamber of Commerce of the Republic of Macedonia through its Association of Tobacco Producers and Products participated in the development of regulations related to the sector, by submitting proposals in their interest;
- The Ministry of Economy is the institution competent of the turnover of the internal and external markets; and
- The Ministry of Finance, through the Public Revenue Office, is the institution competent for regulating the taxation and charges policy.

The following institutions are competent for implementing the regulations in the area of tobacco production and industry, consumer protection, protection of human health, and the trading in tobacco and tobacco products:

- The implementation of the legal acts related to this area is the responsibility of the MAFWE's Unit for Crop-production and Horticulture (the Sector for Agriculture), employing a staff of one (1);
- The Ministry of Economy is responsible for consumer protection;
- The Ministry of Health is in charge of protection of human health;
- The Ministry of Finance is responsible for keeping records of the taxation and duties through the Public Revenue Office and for the implementation of customs regulations, through the Customs Administration;
- The association of tobacco producers in the country participates in the implementation of the regulations related to the production of tobacco by submitting its opinion on the contents of the agreements for production and purchase of tobacco between the producers and purchasers; and obligatorily witnesses the purchase of tobacco through its members, having the right to question the price of tobacco;
- The following institutions carry out inspection and surveillance of the provisions of this Law:
 - The State Agriculture Inspectorate, which conducts surveillance and control of both the producers and traders involved in the production, purchase, processing, and trading in tobacco;
 - The State Market Inspectorate, which conducts surveillance and control of the production of and trading in tobacco products; and
 - The Food Directorate, which conducts surveillance and controls the trading in tobacco products, the use of additives, and the provisions on consumer protection, through its food inspectors.

5.2. SHORT-TERM PRIORITIES

A Law on Tobacco and Tobacco Products will be adopted to improve the situation and improving the revealed irregularities in the tobacco industry, through measures such as precise definition of the allowed levels of tar and nicotine, designation, promotion, and the texts of the warning on the tobacco products.

This Law will help regulate the primary production of raw tobacco, the financing, i.e. the amount of charges calculated by the producers and importers of tobacco products as part of the price per cigarette unit and will also ensure income into the state budget. The Law also includes provisions that regulate the purchase, storage, and processing of the purchased raw tobacco, trading in fermented tobacco, production of and trading in tobacco products, control and surveillance of tobacco and tobacco products, and penalty provisions. The reforms in the tobacco production will be aimed at introducing a Common Market Organizations for raw tobacco, ensuring financial and technical assistance for tobacco producers, registration and control of the production of and trading in tobacco and tobacco products, and ensuring human health protection, protection of the environment, and sustainable development.

The bylaws related to the Law on Tobacco and Tobacco Products will also be adopted in this period.

In order to ensure the implementation of the Law and related bylaws, there is a need of employing 2 (two) individuals in the MAFWE, as well as of training the existing human resources to improve their computer skills and their knowledge of the EU regulations related to the Common Agricultural Raw Tobacco Market .

5.3. MEDIUM-TERM PRIORITIES

For the purpose of institutional reorganization and strengthening, 4 (four) operators are to be employed in this period in the Sector for Agriculture, who will perform the following activities: registration and keeping records of the tobacco production and regions, keeping records of tobacco purchasers, procedures for obtaining licenses for assessment of tobacco, standards of the quality of raw tobacco leaves, development of measures for promotion of the tobacco production and producers, monitoring the situation in the tobacco industry, and cooperation with other relevant governmental and non-governmental organizations.

5.4. FOREIGN ASSISTANCE

To ensure the implementation of the plan, foreign assistance is expected from the Project for Structural and Legal Reforms of MAFWE, funded by EU and managed by the European Agency for Reconstruction – CARDS 2004, the goal of which is supporting studies for competitiveness.

3.11.6 INSPECTION AND SURVEILLANCE OF AGRICULTURE

6.1. CURRENT SITUATION

a. LEGAL FRAMEWORK

The State Agriculture Inspectorate, within the MAFWE is authorized body for carrying out inspection and surveillance in the agricultural sector. The authorisations of the Inspectorate are postulated in the material laws and the related bylaws. Any amendments to these laws in the process of approximation to the EU acquis will result in changes in the competencies and responsibilities of the State Agriculture Inspectorate in terms of its operational procedures, adequate capacity, and organizational set up required for carrying out the competencies delegated to it.

b. INSTITUTIONAL FRAMEWORK

The material laws and related bylaws authorizing the Inspectorate to carry out inspection and surveillance are prepared by the relevant sectors/administrations within the MAFWE.

The State Agriculture Inspectorate is part of the Ministry of Agriculture, Forestry and Water Economy, established pursuant to the Law on Organization and Operation of the State Administrative Bodies (Official Gazette of the Republic of Macedonia No. 58/00). The Inspectorate includes two sectors: the Sector for Inspection and Surveillance of Crop-production, Livestock Breeding, Fisheries and Land Policy, consisted of 6 regional units; and the Sector for Inspection and Surveillance of fruit growing, viticulture, wine production and seedlings, consisted of 2 (two) regional units and 1 (one) Unit for expert and administrative operations.

The Sector for Inspection and Surveillance of Crop-production, Livestock Breeding, Fisheries and Land Policy employs 24 (twenty four) employees, out of which 1 (one) head of Sector, 5 (five) head of regional units, and 18 (eighteen) state inspectors – advisers positioned in the regional units of the Inspectorate. The Sector conducts inspection and control of the laws and applicable provisions from the aspect of the implementation of regulations related to the crop-production, land policy, livestock breeding and fisheries; inspection and control of marketing of raw-materials (seeds, means of protection, fertilizers, feeding stuffs, premixes, fish, etc.), coordinates the activities of control of the quality of feeding stuffs, artificial fertilizers, and seeds and seedlings in certain parts of the country that are under customs surveillance, such as terminals, issues decisions in first instance, lodges requests for initiation of court procedures and criminal charges, violations of the laws and related regulations, conducts on-site inspection, takes samples to determine the quality features of raw materials and products, monitors the overall situation and proposes measures for its improvement, develops programmes of operation of the inspectors, information, analyses and programmes, and carries out other

activities within its competencies. Moreover, it initiates resolving of issues and is responsible for the timely, lawful and quality performance of its tasks and duties, proposes positions on principle systemic issues, and carries out expert and other activities.

The Sector for Inspection of Fruit Growing, Viticulture, Wine Production, and Seedlings employs a staff of 6 (six), out of which 1 (one) head of regional unit with 2 state inspectors advisers positioned to the regional units of the Ministry and one head of the Unit for expert and administrative operations with two (2) employees. The Sector conducts surveillance and control of the laws and applicable regulation in the area of fruit growing, viticulture, wine production, and seedlings, inspection surveillance of the marketing of wine and raw materials, keeping records on cases of grubbing up, planting approvals, sequence, harvest declarations, inventories, etc., keeping records of wine producers. Also, the Sector issues decisions in first instance, lodges requests for initiation of court proceedings and criminal charges for violations of provisions in the laws and related regulations, conducts on-site inspections, takes samples to determine the quality features of raw materials and products, monitors the overall situation and proposes measures for its improvement, develops programmes of operation of the inspectors, information, analyses and programmes, and carries out other activities within its competencies. Furthermore, it initiates resolving of issues and is responsible for the timely, lawful and quality performance of its tasks and duties, proposes positions on principle systemic issues, and carries out expert and other activities. The total number of employees in the Inspectorate is 30 (thirty). Its management is at a central level, whereas decisions are made at a local level.

6.2. SHORT-TERM PRIORITIES

In accordance with the legal provisions twenty (20) new employments are planned. The staffing of the Inspectorate will take place through transfer of staff from other institutions and through new employments for the purpose of bringing the Inspectorate closer to the EU inspection principles and methodologies. All employees in the Inspectorate will receive training on EU legislation in all sectors of the agriculture, along with the procedures, programmes and activities of inspection controls.

6.3. MEDIUM-TERM PRIORITIES

The Inspectorate sectors and units are to be reorganized during this period, to train inspectors in individual sectors of the agriculture, in compliance with the EU legislation. The existing institution is to be staffed by 2010 with expert staff of 65 newly employed (staff is to total 116 by 2010, including the existing 31 employees and the expected 20 newly employed in 2006 and 2007). All employees in the Inspectorate will undergo training on EU legislation in all sectors of the agriculture, along with the procedures, programmes and activities of inspection controls. There will be a need in future to further equip the Inspectorate for improved sample taking and quick detection tests, as well as with IT equipment and software for networking the Inspectorate with the regional units and inspectors.

6.4 FOREIGN ASSISTANCE

The foreign aid in the area of organic agricultural production is realized through the Organic Agricultural Production Project (SDC-FIBL from Switzerland) and a part of the activities of the Project for Structural and Legal Reforms of MAFWE (CARDS – 2004).

Foreign aid is also expected in the area of inspection and surveillance of the wine production through a planned project to be funded by the EU 2006 CARDS Program.

6.5 INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget Ref. No.	Institution	2006	2007	2008	2009	2010	Total
14001	MAFWE	40	55	78	91	91	355
14001 Total		40	55	78	91	91	355
	MAFWE (SA, SFSARD, SAISAP, LA) pursuant to the Law on Agriculture and Rural Development	22	40	63	68	52	
	(SA) pursuant to the Law on Agricultural Land	0	0	0	0	0	
	(SA) pursuant to the Law on Livestock Breeding	2	0	0	0	0	
	(SA) pursuant to the Law on Organic Production	1	1	1	0	0	
	(SA) pursuant to the Law on Wine	4	3	3	2	2	
	(SA) pursuant to the Law on Tobacco and Tobacco Products	1	1	1	1	2	
	(SAI) Inspection and surveillance pursuant to all laws	10	10	10	20	35	
Total		40	55	78	91	91	355

SA – Sector for Agriculture
SFSARD – Sector for Financial Support of Agriculture and Rural Development
SAISAP – Sector for Agricultural Information System and Policy Analysis
LD – Land Directorate
SAI – State Agriculture Inspectorate

3.12 FOOD SAFETY, VETERINARY AND PHYTOSANITARY POLICY

3.12.1 FOOD SAFETY AND CONTROL

CURRENT SITUATION

The main aim of the National policy for food safety in the Republic of Macedonia is the development of an integrated system for food safety according to the principal "from farm to fork" i.e. control of all stages of production including the primary production. The system for food safety and control in the Republic of Macedonia is under jurisdiction of several state bodies: the Food Directorate within the Ministry of Health, The Veterinary Directorate within the Ministry of Agriculture, Forestry and Water Economy, as well as the Phytosanitary Directorate and State Inspectorate for Agriculture within the Ministry of Agriculture, Forestry and Water Economy.

a) LEGAL FRAMEWORK

The Law on Food Safety and Products and Materials in Contact with Food (Official Gazette of RM 54/02) is the basic legal act that regulates the conditions for providing food safety and materials in contact with food, in the production and in the circulation process, the rights and the obligations of the natural persons and legal entities in order to protect the health of the people, to protect the consumers from inaccuracy and deception and to provide free circulation of goods in the internal and external market. In the Law the following EU legal acts have been incorporated: 31998L0004, 31992R2082, 31997R0258, 32000L0013, 32001L0018. The preparation of the Law was supported by the German bilateral technical assistance (GTZ).

According to this Law seven bylaws have been adopted in consistence with the legislation of the EU that regulates the following fields:

- The form and the contents of the applications for opening facilities for production and circulation of food, products and materials in contact with food;
- specific requirements for safety of infant dairy food;
- the manner of knowledge testing and issuing certificates for acquired basic knowledge for food hygiene and protection of the environment;
- the additives which can be used for food production;
- the general requirements for food safety;
- labelling, presenting and advertising the food; and
- Safety of the drinking water.

The following **strategic documents** define the food safety policy:

- Strategy for adjustment of the Macedonian Agricultural Sector to the CAP of the EU,
- Strategic plan of the Ministry of Health – Food Directorate
- The National Strategy for Integrated Border Management
- The National Action Plan for Integrated Border Management.

b) INSTITUTIONAL FRAMEWORK

In accordance with the Law on Food Safety the institutions which are in charge of the implementation of the legal acts in the field of control and safety of food are the Ministry of Health- Food Directorate and the Ministry of Agriculture, Forestry and Water Economy - The Veterinary Directorate. The Food Directorate as a body within the Ministry of Health has the competences for carrying out the expert and administrative matters in the food safety field and the products and materials that come in contact with the food. The Veterinary Directorate as a body within the Ministry of Agriculture, Forestry and Water Economy carries out the matters that refer to the food of animal origin in coherence with the regulations for veterinary health and the general requirements stipulated in the law. The Commission for the Macedonian CODEX ALLIMENTARIUS is an expert advisory body (comprised of 15 members and a president), that considers issues that regulate the Macedonian CODEX ALLIMENTARIUS and the methods for food analysis based on international scientific findings.

The following institutions are included in the system of food control and safety: The Republic institute for health protection, 10 regional units for health protection across the territory of the Republic of Macedonia, Faculty of Veterinary Medicine - Food Institute, The Consumers Organization of the Republic of Macedonia, The Ministry of Economy, The Ministry of Environment and Spatial Planning and entities for food production.

The total number of employees in the Food Directorate is 75, working in 3 sectors and 12 units.

SHORT-TERM PRIORITIES

LEGISLATION

With the aim to achieve further harmonisation of the national legislation with the legislation of the EU, the process of amending the Law on Food Safety and Products and Materials in Contact with Food (Official Gazette of RM 54/02) is in progress. This Law will be amended in order to achieve harmonisation with the following EU legal acts: 320002R0178, 32004R0852, 32004R0882, 32004R0853, 32000R0013 and 31997R0258. The general principals and competences, the risk assessment, communication and risk management,

precaution and transparency principals, the regulations that refer to the food safety, the obligations of the food operators and the consumers protection, official food safety and quality control, keeping registry, permitting facilities to start production, storage, placing products on the market, export-import, accredited laboratories, crisis management and urgent cases.

By the end of 2007 the bylaws concerning the following fields are planned to be adopted:

- Quality, safety and special requirements for different food products;
- Food declaration and presentation;
- Food with special nutritional use;
- Natural mineral water;
- Diet food for special medical purposes;
- Alcohol beverages
- Sanitary hygiene conditions for food production;
- Microbiological accuracy of the foodstuffs and the safety conditions that the materials and products that come in food contact should fulfil
- The methods of official control and certification for export-import and internal market of fresh fruit and vegetables
- For determination of the maximum permitted level of radiation of foodstuffs as a result of nuclear catastrophe or any other radiological disaster

- Strengthening the cooperation between the institutions included in the food control

- Preparation of Memorandums of Cooperation between the Ministry of Health and the Ministry for Agriculture , Forestry and Water Economy
- Adoption of a National Strategy for Food Safety

- Enabling facilities for food processing with an aim to fulfil the EU requirements

The process of harmonisation of the legislation will strengthen the current and the new administrative structure in a direction of support for food producers relating to the introduction of EU standards and the wide application of the HACCP systems. In this context the following has been planned:

- Preparation of administrative procedures for implementation of official controls of the production facilities for their registration, permission and certification of the products
- Preparation and use of technical check lists for official veterinary controls, including the risk assessment and action plans for harmonisation of the conditions for registration.
- Preparation of a manual for good hygiene practice and HACCP
- Training of local veterinary inspectors and state food inspectors for keeping documentation of official controls of the food facilities
- Preparation of the Programme for training and technical support for improving the industry capacities to fulfil the EU food safety requirements
- "Training for trainers" training for producers for HACCP systems

-Strengthening the capacities of the Food Directorate

In the course of 2006, the employment of 15 new employees is planned in the Food Directorate.

Training of the personnel is planned in the following fields of food safety:

- EU legislation in the food sector
- Procedures of inspection control of food and products and materials in contact with food;
- Risk analysis for food safety.
- Food dangers and their control;
- Epidemiology of transmittable diseases through food;
- Good hygiene practice
- Water treatment and testing;
- Technological procedures for food processing;
- HACCP system and HACCP controls;
- Official certification systems;
- Risk management and communication with the countries of the EU;
- Legal procedures and implications from the official controls and taking minutes;
- Computer training;
- Continuous training of all inspectors from the food sector;
- Study visits by food inspectors in a member-state of the EU.

The Food Directorate will be also strengthened with the procurement of equipment for the state food inspectors for taking samples and tests for quick detection and upgrading of the ICT systems (hardware and software) and a network connection of branch departments.

MEDIUM-TERM PRIORITIES

Harmonisation of the national legislation with the EU legislation will continue by progressive adoption of bylaws that will regulate the fields of food production using innovative technologies and genetically modified organisms (GMO). Furthermore, the legislation of the following areas will be approximated: quality control and safety of fruit, vegetables and mushrooms; crops, bakery and mill products, refreshing soft drinks, table oils, herbs and other products.

- Strengthening the systems of food safety control through:

- High degree of implementation of HACCP by the food producers;
- Upgrading the system of food safety control through accreditation of laboratories for food analysis (chemical, microbiological, GMO, etc)
- Preparation of annual training programs of the persons included in the official food control, emphasizing the HACCP

INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total number
19001	Ministry of Health- Food Directorate	15	10	10	5	5	45

FOREIGN ASSISTANCE

A project is planned in the field of food safety within the framework of the CARDS 2006 Program. At the same time, the implementation of a project for bilateral Swedish aid (SIDA) is expected to start.

3.12.2 VETERINARY POLICY

CURRENT SITUATION

a) LEGAL FRAMEWORK

This field is regulated by the following laws;

- Law on Veterinary Health (Official Gazette of RM no. 28/98); this law is the primary law in the veterinary field in the Republic of Macedonia that regulates the animal health protection against diseases, protection against diseases that are transmittable from animals to human beings, veterinary- sanitary examination and control, veterinary protection and improvement of the environment and the nature, minimal compulsory degree of animal health protection against diseases, permissions and charges for animal health protection against diseases, organization and carrying out the veterinary-health activity and other issues in the field of the veterinary healthcare. This law, among other things, defines the competences of the veterinary service as a whole as well as the rights and the obligations of every segment of the service structure and their responsibility. The Law is not approximated to the EU legislation.
- **Law on medicine, secondary remedies and medicine devices** (Official Gazette of RM no. 21/98); this law regulates the production, the circulation and the use of veterinary- medical remedies, preparations.
- **Law on Animal Identification and Registration** (Official Gazette of RM no.69/2004) regulates the identification and the registration of farms and other animals. This Law is approximated to the EU legislation

The field of zoo-technology in the Republic of Macedonia at the moment is regulated with the Law on Livestock Breeding (Official Gazette of RM no.61/97), which regulates the upbringing and the circulation of livestock, sheep, goats, pigs, horses and poultry, cuniculus and other animals of commercial importance, obtaining a feeding stuffs, obtaining and putting into circulation the semen and embryos, the production and the circulation of animal food and other issues in the livestock breeding.

The Law defines the competences of the legal entities in relation to the keeping of a Herd Book, selection and monitoring in the livestock raising, as well as concerning the competences for obtaining and putting into circulation of the semen and embryos,

The strategic documents that define the veterinary policy and the development of the Veterinary Directorate are:

- Business plan in the Veterinary Directorate,
- The National Strategy for Integrated Border Management with an Action plan,
- Strategic plan of the Ministry for Agriculture , Forestry and Water Management 2006-2008
- International Code for Animals Health Protection of the International Bureau for epizooties

b) INSTITUTIONAL FRAMEWORK

The Veterinary Directorate is responsible and competent for implementation of the administrative matters and the monitoring inspections activities that deriving from the above mentioned laws and bylaws regulations in the field of the safety of food from animal origin, healthcare of animals, protection against transmittable diseases from animals on human beings, veterinary-sanitary review and

control of products, fertiliser substances from animal origin, prevention of animal reproduction, veterinary protection and improvement of the environment and the nature, minimal compulsory degree of animal health protection against diseases, permissions and charges for animal health protection against diseases organization and carrying out the veterinary-health activity, veterinary health control of the feeding stuffs and the products for animal feeding, production, putting into circulation and use of medicaments for veterinary use, identification and registration of the animals and the welfare of animals.

There are six departments within the Veterinary Directorate. The Veterinary Directorate projects a total number of 179 employees, from which 79 are already employed. As state veterinary inspectors in the branch offices there are 44 employees, and as veterinary inspectors on the Border Inspection Posts, there are 11 employees. The implementation of the legal acts in the field of zoo-technology is under the jurisdiction of the Livestock Breeding Department (Sector for agriculture) and has one (1) employee. Aside from the Livestock Breeding Department, the State Inspectorate for Agriculture is directly responsible for the supervision of the implementation of the provisions of the Law on Livestock Breeding. The University "St. Cyril and Methodius" – Institute for Livestock Breeding- Skopje is the responsible institution for keeping of a Herd Book selection and monitoring of the livestock breeding.

Through the CARDS Programme, equipment is procured for the reinforcement of the inspection service, laboratory facilities, as well as a part of the equipment for the system of animal identification and registration.

SHORT-TERM PRIORITIES

The priority activities for harmonisation of the legislation with the EU legislation are the following:

Adoption of the substantive Law on Veterinary Health, as well as a part of the rulebooks that deriving from it, in the following fields;

- Animal diseases that are compulsory to be reported and the fight against them;
- Implementation of the plans for urgent measures for dealing with diseases;
- Veterinary border controls;
- National Programme for TCE supervision/control

Adoption of the *Law on Animal Welfare* with a Rulebook on the conditions and the methods for keeping and breeding animals.

Adoption of the Law on Waste and By-products from Animal Origin, as well as a Rulebook on transport conditions, storage and processing of the animal by- products

Adoption of the Law on Veterinary Public Health, according to which the following bylaws will be prepared

- Rulebook on meat and meat products,
- Rulebook on milk and dairy products,
- Rulebook on other products from animal origin;
- Administrative procedures for the implementation of the official controls for the processing facilities for their registration, permission and certification of the products
- Manual for a good hygiene practice and HACCP

Amending the **Law on Animal Identification and Registration**

- Rulebook on sheep identification and registration

Also, by the end of 2006 the preparation of draft version of the *Law on Animal Feedstuff and the Law on Veterinary Drugs* is planned.

With the adoption of the Law for amending the law on livestock in 2007 the primary EU acts will be encompassed in the field of zoo-techniques.

- Strengthening the Veterinary Directorate capacities

Training

The training of the veterinary inspectors will be carried out in several fields:

Implementation of the new Law on Veterinary, control of TSE, epidemiology, implementation of the principles for compulsory reporting of transmissible diseases, general measures and procedures for eradication of contagious diseases, programme for eradication/control of tuberculoses and brucellosis, contingency plans for urgent action in case of emergence of transmissible diseases, risk analysis, treatment of waste from animal origin and SRM (Specific Risk Material) , veterinary public health, facilitating the trade, introducing a system for production control, circulation and use of the feedstuffs, as well as training of the border inspectors on duty. Training of the laboratory personnel for a good laboratory practice and quality provision is also planned.

Equipment

Development of an IT system for a network connection and exchange of information and establishing data basis including the introduction of the systems TRACES and RASFF.

Human Capacities Strengthening of the Veterinary Directorate

The Veterinary Directorate will be strengthened with the employment of 20 new employees.

MEDIUM-TERM PRIORITIES

The plan is to continue with the harmonisation of the legislation with the acquis. Adoption of the Law on Livestock Feed, The Law on Veterinary Medicaments and drafting and adoption of bylaws that deriving from those laws and the rest of the bylaws from the previously mentioned laws.

- Strengthening of the capacities of the veterinary services

Training

Training of the inspectors for the introduction of a system for production control, circulation and the use of the veterinary medicine remedies, introduction to the epidemiological studies for zoonoses and the economically important diseases and preparation of the recommendations for preparation of programs for eradication/control, programme for eradication/control of other transmittable diseases, plans for future activities in case of transmittable diseases.

- Upgrading the system for registration and identification of animals with an IT equipment and training for data base management
- Establishing a system for collection and treatment
- Introducing of position for an approved veterinarian

INSTITUTIONS

In the period from 2006 to 2010 the employment of approximately 100 persons is planned in the Veterinary Directorate, for accomplishing the planned systematization in the departments, and especially in the department for veterinary inspection as well as veterinary inspectors in the branch offices and veterinary inspectors on the Border Inspection Posts. This will be carried out with the following dynamics:

INSTITUTION BULIDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total number
14001	Ministry of Agriculture, Forestry and Water Economy- Veterinary Directorate	20	40	30	10	0	100

FOREIGN ASSISTANCE

Short-term priorities of the veterinary policy will be supported by:

- CARDS 2003 project for establishing a national system for identification and registration of the animals - second phase,
- CARDS 2004 project - Structural and legal reforms of the Ministry of Agriculture, Forestry and Water Economy.

Implementation of a CARDS 2006 project is planned in the field of identification and registration of animals, CARDS 2006 regional project for integrated border management.

3.12.3 PHYTOSANITARY POLICY

3.12.3.1 PLANT HEALTH (HARMFUL ORGANISMS) AND PRODUCTS FOR PLANT PROTECTION

CURRENT SITUATION

a) LEGAL FRAMEWORK

Law on Plant Health (Official Gazette of RM no. 29/05),

This law regulates the plant health, measures and obligations related to the appearance of harmful organisms for plants, measures for fighting, biological measures for plant protection, exchange of information and information system, expenditures and charges, competences of the bodies, the responsible services, bodies in the field of plant health, and other matters concerning plant health. This law is based on the Council Directive 2000/29/EEC.

Law on Plant Protection (Official Gazette of RM no. 25/98)

With the adoption of the Law on Plant Health (29/05), the provisions that refer to the plant protection against diseases, pests and weed, the health control of the plants in the internal circulation and the circulation outside the state borders are abolished, and the provisions that remain refer to the production, circulation and the use of the means for plant protection, equipment and the measures for preventing the harmful consequences from the use of the means for protection of plants on human health, animals, environment and nature (these provisions will be effective until the adoption of the Law on products for plant protection, forecasted to be adopted by the end of 2006, harmonised with the Directive 91/414/EC); as well as, the provisions concerning the agricultural sows for the production of seed, forest plantation for production of forest seed, facilities for production of planting material for long lasting agricultural and forest plants and circulation of seed and planting material.

Strategic documents that define the phytosanitary policy and the directions for the development in this field are:

- The International Convention on Plant Protection;
- Standards of the European Organization on plant protection;
- Strategy for harmonisation of the Macedonian agricultural food sector with the CAP;
- Strategic plan of the Ministry of Agriculture, Forestry and Water Economy 2006 -2008
- National Strategy for integrated border management with an Action Plan.

b) INSTITUTIONAL FRAMEWORK

The Phytosanitary Directorate within the Ministry of Agriculture, Forestry and Water Economy is responsible for the implementation of the phytosanitary policy. The current number of employees is 25, of which 10 on Border Inspection Posts; the control is done by 16 phytosanitary inspectors and 3 advisors, regional reporters and competent institutions for monitoring of the health situation of plants in the Republic of Macedonia.

In accordance with the Law on plant health a State Phytosanitary Laboratory will conduct diagnostics and determination of harmful organisms, analysis of physical –chemical characteristics of the substances for plant protection, analysis of active substances, as well as biological examinations in certain fields of the phytosanitary legislation. The laboratory is in a stage of forming the personnel.

The inspection supervision and control of the production, circulation and use of substances for plant protection is carried out by 26 state agricultural inspectors from the State Agricultural Inspectorate within the Ministry of Agriculture, Forestry and Water Economy.

SHORT-TERM PRIORITIES

Harmonisation with the European legislation through drafting the following legal acts:

- Adoption of bylaws that deriving from the Law on Plant Health: list of harmful organisms, registration of producers and importers of plants and plant products, orders for potato control;
- Adoption of the Law on Plant Protection Products and bylaws that deriving from the law.

-Strengthening of the phytosanitary system capacity

- Drafting a plan for the development of the institutional capacity of an integrated phytosanitary system;
- Training for transposition of EU measures in the Law on Plant Health;
- Establishing an IT system for exchange of information among the responsible services and establishing a data base for the allocated competencies;
- Continuous training of personnel of the Phytosanitary Directorate (phytosanitary inspectors, regional reporters, and the personnel in the administration);
- Continuous training of the personnel of the phytosanitary laboratory (virology, microbiology, entomology, phytopathology, nematology, and chemical department);
- Finalising the State Phytosanitary Laboratory;
- Staffing of the Phytosanitary Directorate with 10 new employments.

MEDIUM-TERM PRIORITIES

- Registration of producers and importers of plants and plant products;
- Issuing plant's passports;
- Introducing a concept for protected zones and training of personnel for the needs of the protected zones;
- Training of the personnel for risk assessment of the files submitted for authorization;
- Drafting bylaws in the part of residue monitoring;
- Adoption of the Law on Fertilisers and its bylaws;
- Continuous training of the personnel from the Phytosanitary Directorate (phytosanitary inspectors, regional reporters and the personnel from the administration);
- Organization of monitoring according to the EU for the set harmful organisms;
- Accreditation of the laboratory for analysis of pesticides in line with ISO 17025 and training of personnel for pesticides analysis;
- Defining the list of national maximum allowed amounts in line with the EU values;
- Establishing a residue laboratory and accreditation in line with ISO 17025 and training of personnel for residue analysis.

INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total number
14001	Ministry of Agriculture, Forestry and Water Economy- Phytosanitary Directorate	10	10	12	0	0	38

FOREIGN ASSISTANCE

The short-term priorities of the phytosanitary policy are supported by the CARDS 2002 project: "Establishing a national integrated phytosanitary system".

3.12.4 SEED AND PLANTING MATERIAL

CURRENT SITUATION

LEGAL FRAMEWORK

This field is regulated with the Law on Seeds, Seedlings and Propagating Materials, and Variety Recognition, Approval and Protection (Official Gazette of RM no.41/2000), which regulates the production, finishing production, the circulation and the export and import of seeds, seedlings and the propagating material of the agricultural plants as well as the recognizing, permitting and protecting of the variety. The Law is partially harmonised with the EU legislation.

STRATEGIC DOCUMENTS

- The International Convention on Plant Protection;
- Strategy for harmonisation of the Macedonian agricultural food sector with the CAP;
- Strategic plan of the Ministry of Agriculture, Forestry and Water Economy 2006-2008.

INSTITUTIONAL FRAMEWORK

The responsible body for regulating the production, the preparation of trade, the trade and the import-export of seed and seed material is the Seed and Planting Material Directorate within the Ministry of Agriculture, Forestry and Water Economy. Currently, there are six members of staff in the Office of the Directorate.

The Agricultural Institute – Skopje, The Institute for South Agricultural Cultures – Strumica, Institute for Tobacco – Prilep, are public scientific institutions that deal with creating new varieties of agricultural plants, maintaining the varieties through production of high categories of seed material from different agricultural plants, conducting expert control of the seed sows and plantations, conducting laboratory analysis for determining the quality characteristics of the seed material, issuing certificates, participating in the drafting of laws and bylaws. The Service for Development to the Agricultural Combine Pelagonija, for the needs of the Combine conducts expert control of the plantations and analysis of the quality of the planting material.

The supervision and control of the implementation of the provisions in the field of the seed and seed material is carried out by the State Inspectorate for Agriculture through the state inspectors and the Phytosanitary Directorate through the border inspectors.

SHORT-TERM PRIORITIES

In the following period the harmonisation with the European legislation will continue, and the following steps will be taken:

- Adoption of a Law on Seeds and Planting Material for agricultural plants. This Law will be harmonised with the following Regulations: 31966R0401, 31966R0402, 31968R0193, 31992R0033, 31992R0034, 31998R0056, 32002R0053, 32002R0054, 32002R0055, 32002R0056, 32002R0057;
- Adoption of bylaws that deriving from the Law on Seed and Planting Material;
- Strengthening the control of the vine seed material
- Preparation for the membership in the International Convention for protection of new plant varieties- UPOV
- Continuous training of personnel from the Seed and Planting Material Directorate

MEDIUM-TERM PRIORITIES

- Adoption of a Law on Protection of the New Varieties of Agricultural Plants, in which the legal provisions, rights and obligations from the International Convention for protection of new plant varieties - UPOV, as well as, the Council Directive no.2100/94/EC will be stipulated.
- Adoption of bylaws that deriving from the Law on New Varieties Protection;
- Accreditation of the laboratories for seed testing according to ISTA;
- Training for preparation of the laws and bylaws;
- Training of the personnel for seed control (production, labelling and organization of the post-control tests for different agricultural varieties);
- Training of personnel for learning the technique for conducting of DUS tests on separate cultivations.

INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total number
14001	Ministry of Agriculture, Forestry and Water Economy - Seed and Planting Material Directorate	2	2	2	0	0	6

FOREIGN ASSISTANCE

Part of the activities directed towards the harmonisation of the legislation and training of the personnel will be supported through the CARDS project "Structural and Legal reforms of the MAFWE".

3.13 FISHERIES

3.13.1 FISHERIES AND AQUACULTURE

1.1. CURRENT SITUATION

a. LEGAL FRAMEWORK

The entire fishing in the Republic of Macedonia takes place in freshwater fishing areas and pools. The Law on Fisheries ("Official Gazette of RM" No. 62/93) is the basic act regulating this area and refers to the usage, management and protection of the fish stock in the fishing waters. However, the current national legislation is not in line with the EU measures related to the structural and market policies, the fisheries, and aquaculture information system.

The strategy on adjusting the Macedonian agricultural and food production sector to the EU Common Agricultural Policy (CAP), which foresees drafting of the Law and certain analyses in the area of fisheries and aquaculture, is the sole strategic document aimed at defining the policy and direction of development in this area.

b. INSTITUTIONAL FRAMEWORK

There is a Sector for Agriculture within the Ministry of Agriculture, Forestry and Water Economy, drafting, proposing and implementing the legal regulation and dealing with the administrative and expert issues in the area of fisheries.

The implementation of acts related to fisheries is assigned to the Unit for Livestock Breeding, currently staffed with one employee only. Besides the above mentioned Unit, the State Agricultural Inspectorate, a body within the Ministry of Agriculture, Forestry and Water Economy, is also directly responsible for supervising the Law on Fisheries implementation. The Inspectorate additionally includes a Sector for inspection and supervision in the area of agriculture, livestock breeding, fisheries, crop-production and land policy, with a total staff of twenty four (24) employees, out of which one head of sector, five (5) head of regional units, and eighteen (18) state inspectors in six (6) regional units of the sector.

Thus far, no professional development of staff has taken place in the field of fisheries and aquaculture.

1.2. SHORT-TERM PRIORITIES

Most of the legislation of the common fisheries policy such as the technical rules, quotas, fleet register, vessels monitoring system, etc. is inapplicable to the Republic of Macedonia due to the fact that the country has no access to sea. Yet, the new Law on Fisheries and Aquaculture and the affiliated secondary legislation will align the national legislation with the EU one in the areas applicable for the Republic of Macedonia, such as: resources management, inspection and control, structural and market policies, and information dissemination. The adoption of the Law on Fisheries and Aquaculture, projected for 2007, will include the EU measures regulating the field of fisheries and aquaculture in EU and are of importance for the fisheries and aquaculture in the Republic of Macedonia.

In order to accomplish the activities regarding the foreseen legislation drafting, additional employment of one more person in the area of fisheries and aquaculture is needed.

1.3. MEDIUM-TERM PRIORITIES

Enactment of secondary legislation of the Law on Fisheries and Aquaculture by the end of 2008, to incorporate the EU measures in the following areas:

Resources management – Rulebook on Standards for Fishery and Protection of the Fish Stock; Rulebook on the Minimum Necessary Equipment for Basic Hydrological and Ichthyologic Analyses; Guidelines on Issuing and Form of the Fishing Permit; Order for Types of Fishing Gear and Fishing Tool and Rulebook on Fishery Basis and Production Plans for Aquaculture.

Inspection and control – Rulebook on Conducting Control in Fishery and Aquaculture.

Structural and Market Policies – Rulebook on Producers Organizations of Fishery and Aquaculture and Determination of the manners and procedures related to the use of assistance in the fisheries and aquaculture and Rulebook on Market Interventions.

Information dissemination – Rulebook on Collection and Keeping of Data on Fishery and Aquaculture.

For the purposes of successful transposition of EU fisheries and aquaculture legislation, an additional employment of one executive officer for monitoring of structural adjustments deriving from the implementation of the EU legislation on the matter is foreseen.

INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget ref. No.	Institution	2006	2007	2008	2009	2010	Total
14001	MAFWE – Sector for Agriculture–Unit for Livestock Breeding	0	1	0	1	0	2
14001 Total		0	1	0	1	0	2
Total		0	1	0	1	0	2

3.14 TRANSPORT POLICY

3.14.1 ROAD TRANSPORT

1. CURRENT SITUATION

1.1. LEGAL FRAMEWORK

Legal acts

Law on Road Transport

The Law on Road Transport (Official Gazette of the Republic of Macedonia No. 68/04) entirely regulates the conditions and the manner in which the transport of passengers and goods is carried out, both in inland and in international road transport. The terms for professional competency and financial stability were prescribed, as one of the conditions for access to the profession of transport operator, as well as the terms and procedures for acquiring a licence to transport passengers and goods in road transport. The Law has implemented several directives and regulations of the Council of the European Union, through which several issues from the field of transport of goods and passengers in road transport are regulated, namely: 31996L0026; 31984L0647; 31983R0056; 31992R0684; 31992R0881; 31993R3118; 31994R0792; 31994R3315; 31998R0012; 31998R2121 partially.

Along with the provisions from the Law on Road Transport, the provisions from bilateral international agreements are also applied, which have been reached between the Government of the Republic of Macedonia and the Governments of 28 countries, among which, most of the EU countries, as well as those in the region.

The Republic of Macedonia has signed the following international agreements:

- UN Agreement on the international carriage of perishable foodstuffs and on the special equipment to be used for such carriage (ATP);
- Convention on the Contract for the International Carriage of Goods by Road (CMR);
- Customs Convention on the International Transport of Goods under Cover of TIR carnets;
- UN and ECE legislation on the type-approval of motor vehicles;
- European Agreement concerning the Work of Crews of Vehicles Engaged in International Road Transport;
- Accession to the Vienna Convention of the UN (1968)

Law on Public Roads

The Law on Public Roads (Official Gazette of the Republic of Macedonia No.26/96;40/99; 96/00; 29/02; and 68/04) regulates the conditions and the manner of construction, reconstruction, maintenance, protection, use, management, and funding of public roads, as well as the supervision of the enforcement of this Law. Among the most important issues, the Law regulates: the category of roads; competencies; sources of funds and allocation among the entities responsible for the road network; adoption of medium-term and annual programmes for construction, reconstruction and maintenance of roads; competencies for granting concession, etc.

Aside the provisions from the previously mentioned Law, the following provisions are also implemented:

- European Agreement on Main International Traffic Arteries, (AGR) Geneva 15.11.1975;
- Convention on Road Traffic;

In accordance with this Law, which is aligned with 31996L0053, the road network of the Republic of Macedonia is accessible for vehicles.

Law on Carriage of Dangerous Goods

The carriage of dangerous goods is regulated by the Law on Carriage of Dangerous Goods (Official Journal of the Socialist Federal Republic of Yugoslavia No. 27/90 and no. 45/90) and (Official Gazette of the Republic of Macedonia, No. 12/93). The Law on Carriage of Dangerous Goods regulates the terms and conditions according to which the transport of dangerous goods is carried out (including preparation of the goods, loading, transport, manipulation which can occur during the transport, unloading, security during transport and adequately equipping the vehicle as well as training of staff) and the supervision of the execution of the Law.

The Directive 31989L0684 regarding the expert training of drivers carrying dangerous goods is also implemented in the Law.

Law on Road Transport Safety

The Law on Road Transport Safety (Official Gazette of the Republic of Macedonia, No. 14/98, 38/02 and 38/04) completely determines the conditions which have to be met by the vehicles engaged in road transport, as well as the devices and equipment which have to be owned by the vehicles, dimensions, overall mass and axle weight of vehicles; the conditions for obtaining a driving permit and the form and application form of the driving permit, verification and technical control of the vehicles, registration of the vehicle and the application form of the traffic permit etc.

Law on Mandatory Transport Insurance

The mandatory insurance for all types of transport has been regulated by the Law on Mandatory Transport Insurance (Official Gazette of the Republic of Macedonia No. 88/05). This Law is outlined in more details in Chapter 09 – Financial Services.

Bylaws

Based on the previously outlined Laws, a number of bylaws have been adopted, which regulate certain provisions in more detail, namely: the procedure for acquiring a permit for carrying out regular line transport of passengers in the inland and international road transport; categorisation of bus stops; procedure for allocation of CEMT licences for international transport of goods; the amount of contribution for the use of public roads which is paid along with the registration of the vehicle, as well as the use of motorways; total amount of time the vehicle is in use and the drivers rest periods; registration of vehicles; dimensions, overall mass and axle weight of vehicles; compulsory attestation (homologation) of vehicles with tyres etc. In the decree which outlines the obligation for all vehicles to comply with the regulation for homologation, the following directives have been implemented: 31992L0006; 31985L3821; 31991L0671; 31996L0096 (partially); 31987L0358; 31997L0020; 32001R0011; 32001L0092; 32001L0100; 32002L0051; 32002L0085; 32003L0020; 32003L0026; 32004L0011; 32003L0026 etc.

1.2. INSTITUTIONAL FRAMEWORK

Law on Road Transport – The competent bodies for the implementation of matters related to the transport of goods and passengers in domestic and international road transport are as follows: The Ministry of Transport and Communications, the State Transport Inspectorate – subordinate body of the Ministry of Transport and Communications, responsible for inspection supervision, the Ministry of Finance – Customs Administration and the local self-government units.

The State Transport Inspectorate is a subordinate body within the Ministry. It represents a control body which carries out inspection supervision on the legal and physical entities which are registered for transport of passengers and goods in road transport. The State Transport Inspectorate employs 35 state inspectors for road transport. Total employment of 39 persons is planned in accordance with the Systematisation of employment posts.

The Ministry of Transport and Communications is a state body, responsible for creating and implementing the transport policy in the area of road transport. The Ministry of Transport and Communications contains two units which operate within the Sector for Land Transport, and the units are responsible for matters related to the transport of passengers and goods via road transport. The issues related in this field are carried out by:

- Unit for Road Transport of Goods – six persons. In accordance with the Systematisation of employment posts, a total of seven persons are projected for this unit;
- Unit for Road Transport of Passengers – three persons. In accordance with the Systematisation of employment posts, a total of eight persons are projected for this unit.

Law on Public Roads – The Ministry of Transport and Communications is the institution responsible for the preparation of all legal acts related to the Law on Public Roads, and the competent institutions for the implementation of the Law on Public Roads are the following: the Fund for National and Regional Roads of the Republic of Macedonia, the Public Enterprise “Makedonijapat” and the local self-government units, as institutions which are competent to act in terms of local roads and streets. Within the framework of the Ministry of Transport and Communications, the issues related to road infrastructure are under the authority of the Sector for Housing and Communal Affairs and Infrastructure, the Unit for Road Infrastructure, which employs 4 persons. A total of seven employment posts have been projected with the systematisation.

In accordance with the Law, the Fund for National and Regional Roads prepares a proposal for an Annual programme related to the issues of planning, funding, construction, reconstruction, maintenance and protection of the national and regional roads in the Republic of Macedonia. The programme is adopted by the Government of the Republic of Macedonia.

“Makedonijapat” is a public enterprise, which in accordance with the Law on Public Roads, is responsible for maintaining the network covering the national and the regional roads in the Republic of Macedonia. In order to carry out its work, the public enterprise signs an annual agreement with the Fund for National and Regional Roads.

Law on Carriage of Dangerous Goods – In relation with the carriage of dangerous goods, the Ministry of Transport and Communications is responsible for the preparation of the legal regulation as well as the implementation of the legal provisions in collaboration with: the Ministry of Interior – issues approvals for the transport of explosives, toxins and radioactive goods; the Ministry of Health – issues approvals for transport of toxins in collaboration with the Ministry of Interior; the Ministry of Environment and Physical Planning – which can prohibit the transport of certain dangerous goods in certain parts of the country; and the Radiation Safety Directorate – issues approvals for the transport of radioactive goods. The Sector for Land Transport operates within the Ministry of Transport and Communications, and within it, there is a Unit for Carriage of Dangerous Goods and Safety which employs one person. In accordance with the Systematisation, the employment of a total number of eight persons is projected for the unit.

Law on Road Transport Safety – The Ministry of Interior is the body responsible for the implementation of matters related to road safety and control. Through its authorised personnel – policemen, the Ministry of Interior controls the traffic and ensures the safety of every participant in road transport. At the same time, this institution formulates and realises the state's policy in the field of road

transport and it prepares and proposes legal acts and bylaws in this field. The Sector for Transport Affairs operates within the Ministry and it represents the highest body i.e a sublimite of all the activities in the field of road transport safety and control in the country. The Sector employs 7 persons. The realisation of the numerous activities prescribed by the Law for Road Transport Safety is carried out through police stations and the police units for safety of road transport, which employ a total of 804 people, namely: 32 commanders, 15 deputy-commanders, 17 senior inspectors, 50 heads of the Sector for safety and 690 policemen.

2. SHORT-TERM PRIORITIES

2.1 LEGAL FRAMEWORK

Legal acts

During the course of 2006, the drafting and adoption of the amendments to the Law on Road Transport is envisaged. The amendments will contribute to the future harmonisation with the following EU measures: 22002A1126(1); 31984L0647; 31998L0076; 31991L0671; 32003L0020.

By the end of 2006, the Law on Carriage of Dangerous Goods by Road is projected to be adopted, with the aim to improve the services provided for the consumers and to introduce measures which will encourage the transport safety, as well as establishing the necessary measures and activities within the framework of the enterprises' activities and control of the realisation of those activities, in accordance with the safety rules that are applied. Along with the Law, the Directive 31996L0035 will also be implemented for designating and qualifying the counsellors for safety regarding the carriage of dangerous goods. Within the Law, the following EU Directives will be implemented: 31994L0055 and annexes A and B; 31995L0050; 32000L0018; 32000L0061.

During the course of 2006, a new Law on Road Transport Safety is predicted to be adopted. The following EU measures are projected to be implemented in the new Law: 31992L0006; 31985L3821; 31989L0459; 31991L0439; 31991L0671; 31996L0053; 31996L0096; 32000D0275; 31985R3820; 31985R3821; 31998R2135; 31988L0599; 32002L0015; 31999L0037; 31994L0072; 31996L0047; 31997L0026; 32000L0056; 32001L0011; 32001L0092; 32002L0085; 32003L0020; 32003L0059; 32003D0425; 32003L0020; 32003L0127; 32004L0011.

Based on the Study for restructuring the road sector, certain activities will be undertaken, directed towards amendments to the existing Law on Public Roads (in its first phase) until the new Law on Public Roads is drafted, as well as the adoption of the Rulebook for Traffic Signalisation, which adjusts the traffic signalisation to that of the EU.

Bylaws

Based on the Law on Road Transport, the adoption of the following bylaws is projected, during the second quarter of 2006:

- The Rulebook on the form and contents of the licences for performing certain types of public transport and the manner and procedure for obtaining and revoking the licences. The Rulebook shall completely prescribe the procedure for awarding and revoking licences. The documentation which the transport operator will be obligated to provide with the licence application will be categorically outlined. It shall prescribe the form and contents of the application form for the licence for inland and international road transport. 31996L0026 shall be transposed.
- The Rulebook on the special technical and exploitation conditions to be met by the vehicles performing certain types of transport. This Rulebook shall prescribe the technical and exploitation conditions that motor vehicles performing certain types of transport of passengers and goods by road will have to meet. 31991L0671 и 32003L0020 shall be transposed.
- Rulebook on the manner and the procedure for taking an exam for professional competence of the manager and the manager's authorised person responsible for transport, as well as the programme. The Rulebook shall prescribe the programme for the exam for professional competence of the manager or the manager's authorised person responsible for transport. 31996L0026 shall be transposed.
- Rulebook on the manner and procedure for taking an exam for obtaining a certificate for driving in international road transport, as well as the programme. The Rulebook shall prescribe the contents and the programme for carrying out the exam for obtaining a certificate for driving in international road transport. 31996L0026 shall be transposed.
- Rulebook on the form of the licence for free transport of passengers in international road transport. The Rulebook prescribes the content of the licence, with which the carriers can freely perform their transport in international road transport.
- Rulebook on the form and contents of the travel order. The Rulebook shall prescribe the form and contents of the travel order, which every driver will have to possess while performing road transport. The Rulebook is envisaged to be adopted in the course of the year 2007.

A Decision on determining the amount and the manner of payment of road fees is envisaged to be adopted in the third quarter of 2006. The Decision will be harmonised with the following EU measures: 31999L0062; 32004L0052.

Based on the Law on Carriage of Dangerous Goods by Road, the adoption of the following bylaws is envisaged for 2007:

- Rulebook on the manner of carriage of dangerous goods by road. The Rulebook will be harmonised with 31994L0055.

- Rulebook on vocational training of drivers of motor vehicles transporting dangerous goods and of other persons participating in carriage of dangerous goods, with amendments to the prescribed programme for vocational training of drivers of motor vehicles transporting dangerous goods and of other persons participating in the preparation of carriage, loading, reloading and unloading of dangerous goods, the manner of taking exams and records on taking exams. The Rulebook will be harmonised with 31994L0055 annexes A and B.
- Rulebook on the duties, responsibilities and the programme and manner of vocational training and taking exams of councillors for safety regarding carriage of dangerous goods by road, rail or inland waterways. The Rulebook will be harmonised with 31996L0035 and 32001L0018.

Subsequent to the adoption of the new Law on Road Transport Safety in 2007, a great deal of bylaws that regulate the issues in the field of road transport safety will be adopted and amended, namely:

- Rulebook on the total driving time, on the rest periods for drivers relating to the motor vehicle steering, on the method of work of the double crew of the vehicles to an extent that has impact on safe driving. It shall be harmonised with 31985R3820; 31988L0599; 32002L0015.
- Rulebook on the procedure for issuing, replacement and renewing the validity and on the manner of keeping records on driving permits and tractor driving permits. It shall be harmonised with 31991L0439; 32000D0275; 31994L0072; 31997L0026; 32000L0056.
- Rulebook on registration of motor vehicles and trailers and keeping records on the registered motor vehicles and trailers. The Rulebook shall be harmonised with 31999L0037; 32001L0092; 32003L0127.
- Rulebook on dimensions, overall mass and axle weight of vehicles and basic conditions for devices and equipment of road vehicles. The Rulebook shall be harmonised with 31996L0053.
- Rulebook on forms of the registration document, the driving licence, the registration document for agricultural tractor, registration certificate, tractor driving licence and driving certificate.
- Rulebook on registration plates of motor vehicles and trailers, operation machines, rotary cultivators, motorbikes, carts and trailers towed by an agricultural tractor or rotary cultivator and for national marking.

2.2 INSTITUTIONS

It is projected that the capacity of current institutions will be strengthened with new employment, technical equipment and provision of training for the employees for preparation and implementation of the legal regulation in this field.

The Ministry of Transport and Communications – the Sector for Land Transport projects the employment of four persons in the Unit for Carriage of Dangerous Goods and Safety. It is also projected that four office spaces will be equipped with furniture, telephones and computers.

In terms of the necessary training for the implementation of legal regulation, the services of domestic experts will be engaged, as well as the services of experts from the TAIEX programme in order to train persons that are involved in the preparation and implementation of legal acts aimed at their harmonisation with those of the EU, such as the preparation of the Examination Programme for professional competency for managers and the exam for drivers participating in international transport. In the course of 2006, 10 trainers will be trained to perform training for the employees of the Ministry of Transport and Communications and the State Transport Inspectorate concerning the implementation of bylaws, which shall be adopted subsequent to the adoption of the Law on Road Transport, as well as training for representatives of 1.500 companies that work in international transport of passengers and goods. The training for the companies' representatives will continue in 2007.

In 2006, a development of database is planned, as regards data of transport companies whose work is related to international transport of passengers and goods; the database will provide records of every transport that is carried out to and from EU countries and also in third countries. Aside from keeping statistical data on transport that is carried out, the software will enable records of issued and used international transport permits.

The realisation of the Study for restructuring the road sector is in its final phase, with particular emphasis of the introduction of competition for road maintenance. The Study, which is funded by the EBRD, is prepared by a French consultative company BCEOM. Depending on the recommendations that will derive from the study, series of necessary measures will have to be undertaken, including amendments to the legal regulation. It is expected that the implementation of the measures of the Study will contribute towards greater efficiency of the entire road sector, as well as higher quality, stability and adequate funding, particularly in terms of the promotion of market competition in the field of road maintenance.

In 2007, the Ministry of Transport and Communications – Sector for Land Transport projects employment of the following:

- One person in the Unit for Road Transport of Goods;
- One person in the Unit for Road Transport of Passengers.

In the course of 2007, the realisation of training for implementation of the exam for professional competence of the manager and drivers in international transport will continue.

Based on the Study for restructuring the road sector, during 2007, certain measures and activities aimed at the institutional strengthening of the Fund for National and Regional roads will be undertaken, as well as the restructuring of the Public Enterprise "Makedonijapat".

3.14.2 RAIL TRANSPORT

1. CURRENT SITUATION

1.1 LEGAL FRAMEWORK

Legal acts

The current legislation in the Republic of Macedonia which regulates rail transport encompasses the following laws:

Law on Railways (Official Gazette of the Republic of Macedonia No. 64/05) regulates the organisational structure of the railway system, the manner and conditions for carrying out rail transport, the status of the rail infrastructure and the conditions for access to the rail infrastructure and provision of services which are of public interest. The following directives are implemented in the Law: 319991L0440; 32001L0012; 32001L0013; 31995L0018; 32001L0014; 31995L0018; 31995L0019; 32002L0049; 32004L0049.

Law on Transformation of the Public Enterprise "Macedonian Railways"- UnLtd Skopje (Official Gazette of the Republic of Macedonia, No.29/05) determines the transformation of the Public Enterprise "Macedonian Railways"- UnLtd Skopje, in other words the division of the existing Public Enterprise into two separate entities. The following directives are implemented in the Law: 31991L0440; 32001L0012.

Bylaws

A total of 81 bylaws are in force which will apply until the new bylaws in accordance with the Law on Railways are adopted (Official Gazette of the Republic of Macedonia, No.64/05).

1.2 INSTITUTIONAL FRAMEWORK

The Ministry of Transport and Communications is the body responsible for the policies, proposal of laws and adoption of bylaws in the field of rail transport.

The Sector for Land Transport is operational within the framework of the Ministry of Transport and Communications, within which there is a Unit for Railways, chairlifts and ski lifts. In accordance with the systematisation of employment posts, the employment of 5 persons is projected for this unit. Currently, the issues related to rail infrastructure and other related matters are carried out by 3 persons.

2. SHORT-TERM PRIORITIES

2.1. LEGAL FRAMEWORK

Legal acts

At the beginning of 2007, the **Law on Railway Transport Safety** will be adopted, which will regulate the rules and conditions for safe, customary and uninterrupted rail transport on the territory of the Republic of Macedonia. The following are the EU measures which shall be implemented in the previously mentioned law: 32002L0049; 31995L0018 for issuing permits to rail enterprises and 32001L0012.

The **Law on Establishing an Agency for Railway Transport** will be adopted along with the Law on of Railway Transport Safety, in other words at the beginning of 2007. This Law will regulate the organisation and competencies of the Agency, the Commission and the Director of the Agency and other issues which are important and related to the execution of the Agency's activities. The following are the EU measures which shall be implemented in the Law on Establishing an Agency for Railway Transport: 32001L0014 and 31995L0018.

The **Law on Railway Transport** is envisaged to be adopted at the beginning of 2007. The following are the EU measures which shall be implemented: 31996L0048 and 32001L0016 for interoperability of railways. This Law is envisaged to regulate the railway transport of passengers and goods on the territory of the Republic of Macedonia. At the same time, part of the Law will encompass the transport on other industrial rails.

The **Law on Carriage of Dangerous Goods by Rail** is envisaged to be adopted at the beginning of 2007. 32004L0089 is the EU measure which shall be implemented in the Law, and which shall regulate the carriage of dangerous goods by rail.

Bylaws

The bylaws that will be adopted in accordance with the Law on Railways are as follows:

- Rulebook on determining the components of the rail infrastructure;

- Rulebook on the manner of projecting and building the rail infrastructure, as well as on the norms and standards referring to the rail infrastructure;
- Rulebooks on the manner of keeping records and other technical data on the rail tracks and the plants, facilities and devices on the railroad being of significance for the safety of railway transport;
- Rulebooks on the manner of maintaining, control and periodical inspections of rail tracks and the plants, premises and devices;
- Rulebooks on the manner of performing activities regarding safeguarding the rail infrastructure;
- Rulebook on the manner of keeping records on the conditions of the rail tracks, geometrical features of the rail tracks and railroad area, the land cadastre, the features of the terrain being of significance for protection of the rail tracks, installations in and on the railroad body and the railroad area, the equipment on the rail tracks and railroad area, the equipment on the railroad with traffic signalisation, telecommunication devices, contact network, protective fences, train paths crossing and other data;
- Rulebook on the manner of issuing and withdrawing an official ID of the inspector, the form, the contents, the application form and the emblem on the ID;
- Rulebook on the manner of issuing and withdrawing a licence for public transportation, the form and contents of the licence form, the form, contents and the manner of keeping the register of issued and withdrawn licences and the amount of the fee for issuing the licence;
- Rulebook on the manner of issuing and withdrawing the safety certification, the form and the contents of the certification form, the form, contents and the manner of keeping the register of issued and withdrawn certifications and the amount of the fee for issuing the certification;
- Rulebook on the form of the licence and of the safety certification form as well as rail infrastructure management, and safety certification for railway infrastructure management.

Subsequent to the adoption of the Law on Railway Transport Safety, Law on Railway Transport and the Law on Carriage of Dangerous Goods by Rail, the related bylaws that will be generated from them will be drafted.

2.2 INSTITUTIONS

In the course of 2007, the establishing of the Agency for Railway Transport is planned. With the systematisation act, the Agency will carry out the employment of the necessary number of personnel (it is projected that a maximum number of 6 people will be employed).

During the first half of 2006, in accordance with the Law on Transformation of the Public Enterprise "Macedonian Railways" UnLtd Skopje (Official Gazette of the Republic of Macedonia No 29/05), the transformation of the Public Enterprise "Macedonian Railways" UnLtd Skopje will be completed with the division of the existing Public Enterprise "Macedonian Railways" UnLtd Skopje into two new entities:

- Public Enterprise for Rail Infrastructure "Macedonian Railways" UnLtd Skopje
- Joint Stock Company for Transport "Macedonian Railways Transport JSC" Skopje

The Sector for Land Transport within the Ministry of Transport and Communications will employ two persons in 2007.

3. MEDIUM – TERM PRIORITIES –for the period 2008-2010

Bylaws

In accordance with the **Law on Railway Transport Safety**, during the following period, the Agency for Railway Transport will prepare two Rulebooks which will entirely implement the EU measure 32004L0049:

- **Rulebook on common safety methods.** This Rulebook will prescribe the methods for assessing and evaluating the risks, the methods for assessing the conformity of the prescribed conditions in the safety certification and the safety certification for railway infrastructure management. It will be adopted by 31.01.2009.
- **Rulebook on common safety objectives.** This Rulebook will define the degree of safety which will have to be met by certain parts of the rail system as a whole, and it will be adopted by 31.01.2010.

4. FOREIGN ASSISTANCE

The project of the World Bank for Reform of the Railway, number 83499 will be completed during the second half of 2009, and it contains 4 components, namely:

- Technical assistance for restructuring, regulation and preparatory steps for the introduction of the private sector, as well as support for the implementation. The value of this component amounts to 1.52 million euro;
- Decreasing the number of employees and measures for alleviation. The value of this component is 0.25 million euros provided by the World Bank and 0.4 million euro from the PE "Macedonian Railways" ;
- Increasing the work capacity. The amount allocated for this component is 7.9 million euro;
- Mechanisation of railroad maintenance and modernisation of the infrastructure. The value of this component amounts to 5.25 million euro.

3.14.3 INLAND WATERWAYS TRANSPORT

1. CURRENT SITUATION

1.1 LEGAL FRAMEWORK

Legal acts

The Law on Inland Waterways Navigation, (Official Gazette of the Republic of Macedonia No. 27/00, 74/05), regulate inland waterways navigation and the safety of inland waterways navigation in the Republic of Macedonia, as well as the manner and conditions for the use, maintenance, marking and protection of navigation passages, ports, winter ports, roadstead and bathing areas, the conditions which have to be fulfilled by navigation vessels, the procedure for registration and de-registration of navigation vessels, the procedure which will be implemented after a navigation accident, rescue missions and retrieval of sunken vessels. The Law has implemented Resolution number 24, dated on the 15th of November 1985, which is related to the implementation of CEVNI – European rules for maritime in inland waterways navigation passages and changes to the text of CEVNI, attached to the document W/TRANS/SC.3/37/Rev.2 and Resolution 19 and 20 (TRANS/SC.3/91 annex 1 and TRANS/SC.3/95, which are contained in the document TRANS/SC.3/115).

Bylaws

In relation to the Law on Inland Waterways Navigation, until 31.10.2005, several bylaws were adopted, which are related to: the ability of boat navigation, recording and determining the names and signs of boats, the manner in which the boat register is kept, the level of equipment for safe navigation; marking the bathing areas; the number and structure of crew members for safe navigation of ships; the conditions for determining the medical condition of crew members of navigation vessels, etc.

1.2 INSTITUTIONAL FRAMEWORK

In accordance with the Law on Organisation and Operation of the State Administrative Bodies and the Law on Inland Waterways Navigation, the Ministry of Transport And Communications and the Port Authority as a subordinate body within the Ministry, are responsible for the implementation of all issues related to the safety of inland waterways navigation, as well as for the creation and realisation of the policy for inland waterways navigation safety and preparation of legal regulation.

In accordance with the Law on Inland Waterways Navigation, the Port Authority has the following competences: carrying out technical and professional issues in the field of inland waterways navigation safety; issuing approvals for the use of navigation passages, ports, winter ports, roadstead and bathing areas; registration and de-registration of vessels; issuing ships logs and permits for boarding; issuing competence certificate for handling boats; issuing approvals for docking of foreign yachts and boats; organising rescue missions for human lives and property in inland waterways. The Port Authority carries out its tasks with four employees and in accordance with the act for systematisation for employment posts, one person is projected to be employed.

2. SHORT-TERM PRIORITIES

2.1 LEGAL FRAMEWORK

Legal acts

It is projected that the following bylaws will be prepared, which will lead to harmonisation with the EU measures 31982L0716 and 31996R1356:

- **Rulebook on the rules, signals and designations in the inland waterways navigation.** The Rulebook will regulate the inland waterways navigation in the Republic of Macedonia, with the aim to achieve safe and regular waterways navigation. The Rulebook will implement the European rules for inland waterways navigation CEVNI, particularly in terms of lake and river navigation with small vessels.
- **Rulebook on the plan and programme for acquiring ranks and authorisations of boat crew members in inland waterways navigation.** The Rulebook will prescribe the plan and programme for taking exams for acquiring particular rank and authorisation of crew members of ships in inland waterways navigation.
- **Rulebook on the form and contents of the ship's log and permit for coming on board.** This Rulebook prescribes the form and content of the ship's log and permit for coming on board, which will serve as personal identification of crew members of ships in inland waterways navigation.
- **Rulebook on the form of the identification document of the inspector for waterways navigation safety and the manner of its issuing and usage.** This Rulebook will prescribe the form and the manner of issuing and usage of the ID of the inspectors for safety in inland waterways.

2.2 INSTITUTIONS

The office responsible for the implementation of the Law on Inland Waterways Navigation will require strengthening of their personnel. Due to the fact that the equipping of professional personnel of the responsible office is incomplete in terms of performing inspection supervision of all natural and artificial lakes in the Republic of Macedonia, it is necessary to amend the Rulebook on the systematisation of activities and tasks. With the aim to achieve a continuous execution of the tasks under the competence of the Port Authority for 2006, it is necessary to be supplied with additional technical equipment.

3. MEDIUM-TERM PRIORITIES (for the period 2008 - 2010)

3.1 LEGAL FRAMEWORK

Bylaws

The preparation of the following bylaws is projected:

- Rulebook on the manner in which the names, designations and signs of ships are determined, and the records of ship names are kept;
- Rulebook on the form and contents of the main ship registration book.

3.14.4 AIR TRANSPORT

1. CURRENT SITUATION

1.1. LEGAL FRAMEWORK

Legal acts

At the beginning of 2006, the Law on Aviation was adopted, (Official Gazette of the Republic of Macedonia 14/06) which regulates the air transport in the Republic of Macedonia. Subsequent to its entering into force, the following laws were abolished: Law on Air Transport, Law on Use of Airports and the Law on the Directorate for Civil Aviation.

The Law on Aviation is partially harmonised with the following EU measures: 32004R0549, 32004R0550, 31993R0095, 31994L0056 and 31996L0097, and provides the basis for all these measures to be completely transposed into bylaws.

The Republic of Macedonia is a signatory to the following international agreements with public-law related nature:

- Convention on International Civil Aviation (ICAO), signed at Chicago on the 7th of December 1944;
- International Air Services Transit Agreement, signed at Chicago on the 7th of December 1944;
- Convention on Offences and Certain Other Acts Committed on Board Aircraft, signed at Tokyo on the 14th of September 1963;
- Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation, signed at Montreal, 23rd of September 1971;
- Convention for the Suppression of Unlawful Seizure of Aircraft, signed at Hague, on 16th of December 1970;
- Convention on the Marking of Plastic Explosives for the Purposes of Detection, signed at Montreal, 1st of March 1991;
- EUROCONTROL International Convention Relating to Cooperation for the Safety of Air Navigation, done at Brussels, 13th of December 1960;
- Multilateral Agreement on Commercial Rights of Non-scheduled Air Services in Europe, Paris, 30th of April 1956.

Bylaws

There are 40 bylaws in force, based on the former Law on Air Transport. Currently, there is a process of developing new bylaws, based on the new Law on Aviation.

1.2 INSTITUTIONAL FRAMEWORK

The Ministry of Transport and Communications is the competent state body for policy formulation, as well as for proposing new laws and endorsing bylaws in the field of air transport.

The Civil Aviation Administration, which is a body within the Ministry of Transport and Communications, is responsible for the preparation of the laws and bylaws in the field of air transport, as well as for the practical implementation of aviation standards, for issuing certificates, approvals and licences and for performing supervision. Currently, there are 264 employees in the Civil Aviation Administration.

1.3 FOREIGN ASSISTANCE

The foreign aid provided from GTZ has been implemented, which is related to the separation of the regulatory and operational functions of the Civil Aviation Administration, which was executed through DFS (the German Air Traffic Control).

2. SHORT-TERM PRIORITIES (for the period 2006-2007)

2.1 LEGAL FRAMEWORK

Laws

During the course of 2006, the Agreement on European Common Aviation Area (ECAA) will be signed and ratified with the Protocol for measures leading to the implementation of the EU aviation legislation.

Bylaws

The bylaws which will derive from the Law on Aviation will be adopted no later than the end of 2006, and they will implement the following EU measures: 31992R2407; 31992R2408; 31993R0095; 31996L0097; 32004R0549 (partially); 32004R0550; 32004R0551;

32004R0552; 31991R3922; 31994L0056; 32002R1592; 32003L0042; 32003R1702; 32003R2042; 32002R2320; 32003R0622; 32003R1217; 32004R1138; 31989L0629; 31992L0014; 32002L0030; 32002L0049; 32000L0079; 31991L0670; 31991L3925.

2.2. INSTITUTIONS

The new Law on Aviation provides for the transformation of the Civil Aviation Administration, in other words, for the separation of the regulatory functions from the operational functions and for the formation of two new independent bodies, for which the foreign aid has been provided from GtZ and realised through DFS (German Air Traffic Control). The completion of the transformation is expected by the middle of 2006. Namely, the new Law on Aviation will outline the Ministry of Transport and Communications and the **Civil Aviation Agency** as the authoritative bodies in the field of aviation in the Republic of Macedonia; the Agency is projected to take over the functions of the former Authority, and the operative functions related to traffic control will be under the competencies of the **Joint-Stock Company with one shareholder – the State**, whose formation is projected in accordance with the Company Law. Moreover, in accordance with the EU legislation, a new **independent body for accident investigation and serious incidents**, as well as an **independent coordinator of allocation of slots** shall be formed.

1. In accordance with the new Law on Aviation, the Ministry of Transport and Communications will carry out all issues related to aviation policy, concessions in the field of aviation and administrative supervision on the Agency's activities. The formation of a Unit for Aviation is projected which will operate within the Ministry of Transport and Communications, and which will be a beneficiary of the CARDS 2005 project: Transport policy and administrative management – improvement of the regulation framework in air traffic (1 million euros). The project will strengthen the functions of the Ministry, which it has incurred in accordance with the Law on Aviation, and it will increase the capacity of the projected Unit/Sector for aviation through organised training, seminars etc. In 2006, the Ministry of Transport and Communications will employ 2 persons, and further 3 people in 2007.
2. The issues related to the investigation of aviation accidents and serious incidents are the responsibility of the Ministry of Transport and Communications, in other words, the Minister will have to project formation of an independent Commission for investigating accidents, as a body that will be presided by a commissioner as well as the regular members, and a separate variable task force will be assigned for every accident and serious incident, whose members will be selected from the list of aviation experts in accordance with the Law on Aviation. This will be carried out for the purpose of harmonisation with EU regulations, through a bylaw of the Government.
3. In accordance with the new Law on Aviation, the Civil Aviation Agency will represent an independent state administrative body, a legal entity that will carry out the issues related to the preparation of law proposals and adopting bylaws in the field of aviation, in accordance with the standards and procedures of the EU, ICAO, ECAC, EUROCONTROL, JAA/EASA; the Agency will also carry out inspection supervision of the implementation of the legal provisions in the field of aviation by the industry; it will carry out the administrative procedure for issuing, renewal, modification, suspension and revocation of licences, ratings, certificates, approvals and other written documents determined by the laws and bylaws in the field of aviation, as well as registration of aircraft, airports, airfields and field records; it will organise and coordinate the activities related to search and rescue of aircraft, etc. Part of the employees from the former Administration, who carry out tasks related to the above-mentioned responsibilities, will be transferred to the Agency. Through the CARDS regional ASATC Phase II for the improvement of aviation safety and air traffic control, the functions of the Agency and the Joint Stock Company for air traffic control will be strengthened, which they are obligated to carry out in accordance with the Law on Aviation; the above mentioned project will increase the capacity through organised training, seminars etc. Furthermore, the new Agency will require an increase in personnel capacity with at least 7 new employees, namely: 2 (two) professional pilots, 2 (two) air traffic controllers, 1 (one) aviation technician for air traffic control, 1 (one) inspector for dangerous goods and 1 (one) for handling passengers.
4. Based on the new Law on Aviation, the Government of the Republic of Macedonia is envisaged to adopt a bylaw, which will nominate an independent coordinator for the allocation of slots, aiming to achieve harmonisation of EU regulations.

3. MEDIUM – TERM PRIORITIES FOR THE PERIOD 2008-2010

3.1 LEGAL FRAMEWORK

In the last quarter of 2008 the Law on Obligations in Aviation is planned to be adopted, followed by the bylaws that will emerge from the Law. The Law will regulate the private law-related issues in the field of aviation concerning the agreement on air tickets for the transport of passengers, the responsibilities of air companies in accordance with the agreement for transport, compensation for damages, insurance etc. The Law and related bylaws will be harmonised with the following EU measures: 31992R2409; 31997R2027; 32004R0261; 31989R2299

The Law on Obligations in Aviation will provide basis for practical application of the international agreements with private-law related nature, of which the Republic of Macedonia is a signatory:

- Convention on the International Recognition of Rights in Aircraft, Geneva, 19th of June 1948;
- Convention for the Unification of Certain Rules Relating to International Carriage by Air, Warsaw, 12th of October 1929;
- Convention Supplementary to the Convention for the Unification of Certain Rules relating to International Carriage by Air, Performed by a Person other than the Contracting Carrier, signed at Guadalajara, 18th September 1961;

- Convention for the Unification of Certain Rules for International Carriage by Air, done at Montreal 28th of May 1999;

3.2 INSTITUTIONS

The capacity of the existing institutions, as well as investments, personnel training, etc. are planned to be strengthened. In 2008, the Unit for Aviation which operates within the Ministry of Transport and Communications will employ 2 persons. In 2008, the unit will be transformed into a Sector. During this period, in other words during the last quarter of 2008, the obligations from the transitional periods determined with the Protocol of the Agreement for establishing an European Common Aviation Area (ECAA) are planned to be fulfilled, subsequent to which the Republic of Macedonia will acquire full membership of the ECAA and full liberalisation of the aviation market between EU Member States and the Republic of Macedonia.

4. FOREIGN ASSISTANCE

The implementation of the following projects is planned within the sector of air transport:

- CARDS regional ASATC Phase II for the improvement of aviation safety and air traffic control.
- CARDS 2005 Transport policy and administrative management – Improvement of the regulation framework in air traffic (1 million euro) - (will commence in 2006).

5. INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total
13001	Ministry of Transport and Communications – Sector for Land Transport /Unit for Aviation/Port Authority	7	10	2	0	0	19
	Agency for Railway Transport	7	0	0	0	0	7
13001 Total		14	10	2	0	0	26
13002	Civil Aviation Agency	0	0	0	0	0	0
13002 Total		0	0	0	0	0	0
Total		14	10	2	0	0	26

3.15 ENERGY

CURRENT SITUATION

1. Security of supply

The Final Act of the European Energy Charter Conference with Annex 1: Energy Charter Treaty, Annex 2: Decisions under the Energy Charter Treaty and Annex 3: Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects, has been ratified by the Assembly of the Republic of Macedonia with the Law on Ratification of the Final Act of the European Energy Charter Conference (Official Gazette of the Republic of Macedonia No. 16/98), by which it has been transposed into the national legislation of the Republic of Macedonia.

The legal basis for the security of the supply of specific energy types was established in the *Law on Energy* (Official Gazette of the Republic of Macedonia No. 47/97, 40/99, 98/00, 94/02, 38/03 and 40/05), through the definition of activities of public interest. This Law also contributes to the security of the supply of electricity to the households and the small commercial facilities, by defining electricity supply to retail tariff consumers as a universal service.

According to the Law on Commodity Reserves (Official Gazette of the Republic of Macedonia No. 68/04), commodity reserves of oil derivatives shall be compulsory stored, maintained and restocked by entities that perform oil derivatives production or trade and meet the general and the specific conditions for trade in oil derivatives in the Republic of Macedonia.

The current level of oil derivatives reserves in the commodity reserves enables coverage of the consumption in the Republic of Macedonia for 43 days calculated on the basis of the average daily consumption in the preceding calendar year, which is in line with the EU methodology.

The control over the commodity reserves of oil derivatives is performed by the Commodity Reserves Bureau, while according to the Law on Commodity Reserves; the control may be delegated to entities registered for performing control over the quality and quantity of oil derivatives.

Inspection supervision over the commodity reserves of oil derivatives is carried out by the State Market Inspectorate and State Inspectorate for Technical Inspection.

In case of interrupted or insufficient supply to the market of the Republic of Macedonia with oil derivatives, induced by a state of war, emergency, natural disaster or another cause, the Government of the Republic of Macedonia shall decide on the use and restocking of oil derivatives in commodity reserves.

According to the Law on Commodity Reserves (Official Gazette of the Republic of Macedonia No. 68/04), the quantities of oil derivatives in the commodity reserves by types of derivatives should be on the level of the daily internal consumption for not less than 90 days, calculated on the basis of the average daily consumption in the preceding calendar year. In accordance with this Law, a Mid-Term Three-Year Programme has been prepared and is currently under procedure of adoption.

The Assembly of the Republic of Macedonia, upon the proposal of the Government of the Republic of Macedonia, adopts mid-term programmes, specifying the type and the quantity of commodity reserves. The Mid-Term Programme for 2005-2007 envisages that the restocking of oil derivatives reserves for up to 60 days of coverage of the consumption be achieved by the end of 2007, while coverage of the consumption for up to 90 days will be achieved by the end of 2010, which will be a subject of the Mid-Term Programme for the period 2008-2010.

The implementation of the restocking of oil derivatives reserves in accordance with the schedule outlined above could face financial problems, unless the planned resources are provided from the Budgets of the Republic of Macedonia for the years 2005 to 2010, for restocking of oil derivatives reserves.

According to the national legislation, in circumstances of reduced availability of oil derivatives, under normal or under extraordinary conditions, resort is possible to a priority supply, and, where there are aggravating circumstances, to a reduced supply to priority and specific consumers of oil derivatives.

There is no specific body in the Republic of Macedonia to be exclusively responsible for the oil reserves, but oil derivatives are an integral part of commodity reserves under the competence of the *Commodity Reserves Bureau*.

The Bureau is a body of the state administration within the Ministry of Finance, with a status of a legal entity. The Bureau has 24 employees, including 1 official – director, 8 civil servants and 15 workers for auxiliary tasks performance who do not have a status of civil servants. The Bureau is the holder of the rights, obligations and responsibilities pertaining to the management, use and handling

of commodity reserves in the Republic of Macedonia. With regard to its work the Bureau answers to the Government of the Republic of Macedonia and to the Minister of Finance.

The Bureau performs control over the establishment, storage, restocking, and use, as well as control over the quality and quantity of commodities held in reserves.

The funds for commodity reserves financing are provided from the Budget of the Republic of Macedonia and from donations; however, in the period between 1999 until the present day the Commodity Reserves Bureau has not received any donations.

2. Energy market

LEGAL FRAMEWORK

The legal framework for the energy market in the Republic of Macedonia consists of the *Law on Energy* (Official Gazette of the Republic of Macedonia No. 47/97, 40/99, 98/00, 94/02, 38/03 and 40/2005) and several pieces of secondary legislation. In this context, the amendments made in 2002 and 2003 (Official Gazette of the Republic of Macedonia No. 94/02 and 38/03) are of relevance, as they provide for the establishment of an independent regulatory body in the area of energy. With the amendments made in 2005 (Official Gazette of the Republic of Macedonia No. 40/2005), the markets for electricity and natural gas in accordance with Directives 32003L0054 and 32003L0055 have been established. Also these amendments introduce the basic principles of competition, as a right to non-discriminated access to the network by third parties, eligible consumers of electricity and natural gas, and establish the thresholds of initial opening of the markets of electricity and natural gas. The most important point is the separation to the Government's role in the creation of energy policy from the regulatory, ownership and management roles.

The Law on Transformation of the Electric Power Company of Macedonia Joint Stock Company for Energy Production, Transmission and Distribution in State Ownership (Official Gazette of the Republic of Macedonia No. 19/04 and 109/05) has been adopted for the purpose of implementing the policy of the Government for the electricity sector reform, and particularly for the purpose of achieving the following objectives: i) restructuring of the vertically integrated company, as well as functional separation of the activities of electricity production, transmission and distribution and establishment of transmission system operator (TSO) and distribution system operator (DSO); ii) establishment of competitive electricity market and its gradual liberalization; iii) the rule of the economic principles of efficiency and effectiveness in the operations of electricity companies, i.e. their commercialization, and iv) provision of conditions for transparent, non-discriminatory and impartial privatization of the companies for electricity production and distribution.

The enacted secondary legislation includes the following regulations:

Rulebook on conditions for delivering an appropriate type of energy to the energy system - electricity (Official Gazette of the Republic of Macedonia No. 06/01),

Rulebook on conditions for delivering an appropriate type of energy to the energy system - natural gas (Official Gazette of the Republic of Macedonia No. 36/99)

Rulebook on conditions for delivering an appropriate type of energy to the energy system - thermal energy (Official Gazette of the Republic of Macedonia No. 28/89 and 47/89),

Rulebook on methodology for pricing separate types of derivatives (Official Gazette of the Republic of Macedonia No. 43/98)

Rulebook on the manner and conditions for regulating the prices of electricity (Official Gazette of the Republic of Macedonia No.95/04)

Rulebook on the conditions, manner and procedure for issuing, changing and withdrawing licences on performing activities in the energy sector (Official Gazette of the Republic of Macedonia No.47/05).

Rulebook on the manner and conditions for regulating the prices of natural gas transmission, distribution and supply (Official Gazette of the Republic of Macedonia No.94/05);

Tariff system for natural gas transmission (Official Gazette of the Republic of Macedonia No. 94/05);

Tariff system for sale of natural gas to tariff consumers (Official Gazette of the Republic of Macedonia No. 94/05).

The secondary legal acts adopted on the basis of the Law Amending the Law on Energy (Official Gazette of the Republic of Macedonia No.94/02 and 40/05) have been harmonized with the European legislation.

INSTITUTIONAL FRAMEWORK

The Ministry of Economy is body responsible for creating policy for the energy sector. Within the Ministry of Economy, the Sector of Energy consists of two Units, with 5 full time employees and additional 5 persons engaged on a contract basis.

The Energy Regulatory Commission was established on the basis of the amendments of the Law on Energy of December 2002, and it has been operational as of 1 January 2004. The Regulatory Commission is independent in its performance and decision making. The five members of the Regulatory Commission, at the proposal of the Government, are appointed and released from duty by the Assembly of the Republic of Macedonia. The Assembly also approves the budget of the Regulatory Commission. The Energy Regulatory Commission of the Republic of Macedonia is responsible, *inter alia*, for the: stipulation of methodologies for setting the prices of individual energy types, energy resources and regulated services in relation to the performance of individual energy activities; stipulation of Tariff Systems for individual energy types; issuance, modification and revocation of licences for the performance of individual activities in the field of energy; monitoring of the compliance with the licences; raising of initiatives for amendment of current

laws and adoption of new ones, in order to promote the internal energy market; and approval of market and network codes and of regulated commercial agreements. In addition to this, the Energy Regulatory Commission plays a role in disputes settlement between the participants in the market, and also in consumers protection. The Energy Regulatory Commission submits annual reports to the Government and to the Assembly of the Republic of Macedonia.

The Macedonian Electro-Transmission System Operator (METSO) started its official operation on 1 January 2005. METSO owns the entire equipment for electricity transmission and it is also responsible for maintenance, planning of extension and construction of the transmission network, management of electricity system and supply of electricity to tariff consumers as wholesale trade and system services. Furthermore METSO conducts organization and management of the electricity market, i.e. performance of the function *Electricity Market Operator (EMO)*. The EMO, as a separate organizational unit within METSO, will be responsible for the organizing the wholesale electric energy market on the national level. Depending on the demands and needs for the development of the electricity market in the Republic of Macedonia and the Region, EMO could be transformed into a new institution, separated from METSO.

The last important obligations related to the restructuring of the electricity sector in the Republic of Macedonia were completed in the course of 2005. The legal procedure of separating the production from the vertically integrated company and the registration of a separate Joint Stock Company "Electric Power Generators of Macedonia" (EPGM) was completed in September 2005. In parallel to this, the Joint Stock Company Electric Power Company of Macedonia (JSC-EPCM) was registered as joint stock company for electricity distribution and supply, performing the functions related to distribution network, *Distribution System Operator (DSO)* and electricity supply to retail tariff consumers, as a last option of supply. The JSC-EPCM is also the owner and manager of distributed production units of the former vertically integrated company. The organizational restructuring of the JSC-EPCM, enabling accounting and functional separation of the DSO, was completed by the end of 2005.

In the meantime, the Government of the Republic of Macedonia, as advised by its consultant Meiri Bank Consortium from Vienna, has carried out activities leading towards the privatization of the company for electricity distribution and supply, the JSC-EPCM, while privatization of production facilities has been postponed for 2007. For the purpose of the tendering procedure for the JSC-EPCM, the consultant developed pre-qualification criteria, referring to three sets of characteristics, as follows: 1) operational experience in distribution system management; 2) financial capacity; 3) market experience under conditions of liberalized electricity market. These pre-qualification criteria were part of the Public Invitation for participation in the international tendering for privatization of the package of majority shares of the JSC-EPCM, published in the magazine Financial Times and in the Official Gazette of the Republic of Macedonia No. 107/05 on 9 December 2005. Seven companies responded to the Invitation. The tendering commission announced the list of four qualified bidders on 27 December 2005. After the signing of the relevant Confidentiality Agreement by the qualified bidders and their payment of the envisaged fee, they were furnished with the Tender Package composed of an Information Memorandum and a Draft Text of the Shares Sales Agreement. The Data room in the JSC-EPCM was opened on 9 January 2006 and made accessible under equal conditions to the authorized auditors of all bidders. Representatives of qualified bidders had an opportunity to carry out an in-depth assessment of the company in the period until 9 February 2006. The deadline for bids submission is 1 March 2006.

Energy Community Treaty

The Republic of Macedonia is signatory to the *Energy Community Treaty* for Southeastern Europe (SEE) and its ratification is expected in the Assembly of the Republic of Macedonia in the course of the first half of 2006. The main goal of the *Energy Community Treaty* is to enable free trade in energy under transparent conditions between countries in the Region and with the EU Member States. The Treaty contains obligations for CEE countries to implement the *acquis communautaire* in the area of energy, competition, environment and renewable energy sources. Apart from the reform steps made so far towards institutional, legal and regulatory establishment of the markets for electricity and natural gas, the entry into force of the Treaty will pose obligation for the Republic of Macedonia to fully implement, within one year, the provisions of Directives 32003L0054 and 32003L0055, in accordance with a predefined schedule of the market opening for all consumers except households (i.e. the possibility for them to select the supplier) by 1 January 2008, while for all consumers (including households) by 1 January 2015.

In addition to the aforementioned, within one year from the entry into force of the Treaty, it is necessary to develop an "*acquis communautaire*" Implementation Plan in the field of renewable energy and for elimination of all subsidies and practices that prevent or disturb the competition within the market. With reference to the implementation of the environmental *acquis communautaire*, there has already been a plan developed in line with the requirements of the Treaty.

The harmonization of the regulatory framework and the adjustment of the market structure in accordance with the development of the regional energy market should be done.

3. State Aid

There has been no state aid identified in the energy sector.

4. Renewable energy

The existing Law on Energy (Official Gazette of the Republic of Macedonia No. 47/97, 40/99, 98/00, 94/02, 38/03 and 40/2005), does not contain a legal solution for renewable energy sources related incentives.

According 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 shall, *inter alia*, engage in: the preparation of medium-term and long-term strategies and development plans; the preparation of long-term and short-term programmes for energy efficiency (EE) and for the use of renewable energy sources (RES); preparatory and coordinating activities regarding the implementation of investment projects. The Management Board of the Agency was established in December 2005. It is expected to become operational during the first half of 2006.

The renewable energy sources have been subject to many foreign and domestic studies, which also address the energy efficiency issues. The following three studies, developed through foreign financial support, are particularly useful:

- "Potential of Renewable Energy Sources in the Republic of Macedonia", Electrotec Concepts and Macedonian Academy of Science and Arts (MASA), financed by USAID, 1999;
- The EU SYNERGY Programme in March 2001: "Energy Policies in EU Member States regarding environment protection and energy efficiency. Possibilities of their implementation in Macedonia";
- EU PHARE "Investment Opportunities in Energy Sector", Contractor: Exergia C.A..

In October 2004, the Government of the Republic of Macedonia received foreign assistance from the Swiss Compensating Fund in an amount of around 65.000 EUR for the development of the *Study on Renewable Energy Sources Utilization in the Republic of Macedonia*. In the framework of this Study, cost-benefit analysis will be made with regard to RES utilization. The Study will also provide elements for the development of the relevant secondary legislation to support RES, in line with the EU legislation.

With financial support from the Global Environmental Fund (GEF), through the World Bank, the implementation of the Project for Developing the Programme for Sustainable Energy, is in final stage. The total value of the Project is US\$ 350.000. The goal of the Project is to promote investments in the area of energy efficiency and renewable energy sources, through elimination of institutional and financial barriers. For the purpose of achieving of this goal, a *Study on Establishing an Institution for Sustainable Energy Development Projects (PDAF)* and a *Study on Establishing an Institution for Sustainable Energy Development Projects Financing (SEFF)* have been developed. The Studies have been produced by the Consulting Companies Exergia from Greece and Nexant from USA, respectively. Within this project, it is also envisaged assistance for the preparatory activities for the establishment of an Energy Service Company (ESCO), which commercial activities would be directed towards reducing the energy consumption in public institutions. For the purpose of the implementation of this part, a *Study for ESCO Development and Support* has been developed by the Consultant Econergy from USA, and training and local capacity building have already been completed, as well as, energy reviews and studies for four pilot projects have been made by HEP ESCO from Croatia. The Project for Developing the Programme for Sustainable Energy will be finalized by 31 March 2006.

With the financial support from the Austrian Government, activities aimed at implementing the Project for Solar Energy Utilization in the Republic of Macedonia "Solar Water Heaters" are underway. The Project has been scheduled for implementation in the period between November 2005 and October 2008. The value of the Project is 300.000 EUR. The implementation of this Project should achieve the following goals: promotion of new modern technologies for the production of solar collectors, participation of domestic companies in the production of collectors by use of local materials, introduction of a system of produced collectors labelling (data on the quality and performances of collectors), establishment of legal grounds (subsidies, benefits or other incentives) for the use of solar energy and an increase in public awareness for more intensive and more massive use of solar energy. The implementation of the Project activities is under the responsibility of the Austrian Consulting Association AEE INTEC. On November 3 and 4, 2005, in Skopje, the first meeting between representatives of AEE INTEC and Macedonian stakeholders in the Project took place, after which the Consultant submitted the Inception Report which is considered by the Steering Committee established for the purpose of monitoring, coordination and evaluation of the activities under the Project.

For the purpose of developing tender documentation for a package of 10 small scale hydro power plants, funds have been approved by the Swiss Compensating Fund in an amount of 100 000 €.

5. Energy efficiency

Direct and indirect provisions for the promotion of energy efficiency are contained in the Law on Energy, as well as in other related laws and regulations.

The Law on Energy (Official Gazette of the Republic of Macedonia No. 47/97, 40/99, 98/00, 94/02 and 38/03 and 40/2005) represents the main legal framework in this sector. This Law is in line with the national policy on energy, which emphasizes, *inter alia*, the importance of: increased use of natural gas as priority environmental fuel; integration of energy efficiency in building standards; allocation of the required funds for implementation of energy efficiency projects; identification of possibilities for efficient energy consumption; adoption of measures and activities for the implementation of all above activities.

In 1999, the Government of the Republic of Macedonia adopted the *Programme for Efficient Energy Use in the Republic of Macedonia by 2020*. The development of this Programme is a legal obligation deriving from the Law on Energy. This Programme envisages several measures for energy efficiency enhancement, such as: development of a *Strategy for Energy Efficiency in the Republic of*

Macedonia by 2020; legal and other incentives; establishment of a Fund for financial support; preparation of investment and technical documentation for implementation of specific documents; implementation of specific projects; drafting of regulations, standards and other acts; information and education activities; publications and brochures; international activity.

The initial activity under the Programme is the development of a *Strategy for Energy Efficiency in the Republic of Macedonia by 2020*. The Strategy was developed at the beginning of 2004, upon the initiative of the Ministry of Economy. It was developed by the US Company Nexant, Inc., in cooperation with national experts, and it was submitted to the Government in October 2004. The more prominent programme initiatives outlined in the Strategy include: a Programme for Residential Buildings; a Programme for Commercial Buildings; a Programme for Buildings of Public Institutions; a Programme for Industrial Buildings; a Programme for Street Lightning.

Under the financial support provided by the Swiss Government, the implementation of the Project for efficient energy distribution is in final stage. The value of the Project amounts to 12.100.000 CHF. The main goal of this Project is to provide technical and financial support to the Government of the Republic of Macedonia for the purpose of energy efficiency improving, through the implementation of the following four components:

Component I: Replacement and procurement of low voltage condense batteries and medium voltages condense batteries in JSC-EPCM and JSC METSO;

Component II: Installation of energy counters for the level of interconnection, production, industrial consumers, transmission and distribution power transforming plants and distribution consumers/small and medium scale enterprises in JSC-EPCM and JSC METSO;

Component III: Assistance in energy efficiency measures, in relation to which household's poll was conducted in order to gather data on the real status of energy efficiency with the households on the territory of the Republic of Macedonia. The analysis of this data will result in recommendations for a certain number of pilot projects, the implementation of which in the coming period is expected to improve the energy efficiency of households, and

Component IV: Assistance to the office for persistent organic pollutants in the Ministry of Environment and Physical Planning to initiate activities related to persistent organic pollutants - POPs (concerning the treatment of the replaced old equipment from Component I).

6. Nuclear energy, nuclear safety and radiation protection

The issues in the area of nuclear and radiation safety are regulated by the Law on Ionising Radiation Protection and Radiation Safety (Official Gazette of the Republic of Macedonia No.48/02) which has been partially harmonized with the relevant EU legislation. The Law on Environment (Official Gazette of the Republic of Macedonia No. 53/05, 81/05) partially regulates issues in this area.

In the area of nuclear safety and radiation protection, in accordance with Article 3 of the Law on Ionising Radiation Protection and Radiation Safety, in May 2005, the Directorate for Radiation Safety (DRS) was established. The DRS as an independent state institution responsible for: authorizing activities involving application of sources of ionising radiation; supervision over such sources; undertaking measures for the protection of the population and environment against exposure or potential exposure to ionising radiation; and drafting special rulebooks to regulate in detail the conditions for secure and safe activity involving sources of ionising radiation.

According to the Law on Ionising Radiation Protection and Radiation Safety, *the Republic Institute for Health Protection (RIHP)* has been appointed as a Centre for Radiation Protection, including technical services in the area of radiation safety. In terms of technical services for radiation safety, the RIHP performs regular control over the personal dose received by persons professionally exposed to ionising radiation, monitoring of work places exposed to ionising radiation, calibration of instruments for ionising radiation detection, as well as, monitoring of the possible contamination of the environment by radioactive matters through application of methods of total alpha, total beta, gamma spectrometric analysis and radiochemical separations of environmental samples.

SHORT-TERM PRIORITIES

The development of a new *Law on Energy* is underway, and according to the Work Programme of the Ministry of Economy it is scheduled for adoption in April 2006. The adoption of the new Law on Energy has been proposed for the following reasons: regulation of issues in the entire energy area in a single consistent law, approximation and harmonization of the legislation of the Republic of Macedonia with the *acquis communautaire*, and approximation with the operational criteria and conditions of the EU. The new Law on Energy will regulate the following areas: energy policy; the Energy Regulatory Commission; construction of new energy facilities; electricity market, natural gas market, oil and oil derivatives market, thermal and geothermal energy market; licensing; energy efficiency and RES; protection of energy facilities, devices and plants and energy space; supervision and penalty provisions. The approval of the construction of new energy production facilities for electricity production requires an authorisation procedure, while in cases of threatened security of supply and for the purpose of promoting the RES and new technologies, a tendering procedure is envisaged.

The Law will implement Directives 32003L0054 and 32003L0055 concerning the relations within internal electricity and natural gas markets, as well as Directive 32004L0008 concerning promotion of combined electricity and heat production; Directive 32002L0091 for energy performance of buildings; Directive 32001L0077 concerning the promotion of renewable energy sources; Directives

31968L0414 and 31998L0093 concerning oil reserves; Directive 31992L0042 on the required efficiency of new hot water boilers fired on liquid and gas fuels; Directive 31992L0075 on the labelling of standard product and information on the energy consumption and other means of household appliances; Directive 31994L0002 in relation to labelling of electric coolers, freezers and their combinations in the household, and Directives 31995L0012, 31995L0013, 31996L0057, 31996L0060, 31997L0017, 31998L0011, 32002L0031 and 32002L0040 concerning energy labelling of devices and household appliances.

1. Security of supply

The new *Law on Energy* will be based on the following principles: safe, secure and high quality supply of electricity, natural gas, and thermal energy, oil and oil derivatives to consumers. The public service according to the provisions of this Law, involves providing access and connection as well as safe, secure, high quality and continuous delivery and supply of electricity to all users of the system on the territory on which the service is provided under equal conditions, prices and tariffs formerly approved and published by the Regulatory Commission. The security of supply of individual energy type is provided especially through the achievement of balance between supply and demand on the market of the specific energy type, also by timely projection of the level of the expected future demand for a specific energy type and possibilities for meeting the projected demands compared to the available energy sources and facilities, by timely undertaking of measures for construction of new energy facilities, by high quality and high level maintenance of energy systems, as well as by undertaking measures for covering the peak loads and measures for coping with cases of inability to deliver a specific energy type.

A novelty in the new Law on Energy concerning oil reserves is the manner of provision and maintaining commodity reserves of oil derivatives and it is in line with Directives 31968L0414 and 31998L0093. In order to provide security of supply of electric and thermal energy to the population and to the industry, producers of electricity or thermal energy using crude oil in their production, will be obliged to have, at all times, operational reserves of crude oil which are at least equal to their average needs for 15 days according to the estimation from the preceding year. The formation, maintenance and use of commodity reserves of individual types of oil derivatives will be regulated with the new Law on Energy and this will provide conditions for intervenient supply of oil derivatives in cases of interrupted or insufficient supply of oil derivatives on the market induced by state of war, emergency, major accident or any other major disturbance of the market of oil derivatives.

Commodity reserves of oil derivatives will be formed in line with the level of consumption of individual types of oil derivatives in the preceding calendar year, where the total amount of reserves of the relevant type of oil derivative in the current year may not be lower than the executed average consumption of that oil derivative for a period of 90 days in the preceding year or 25% of the total executed consumption of the relevant type of oil derivative in the preceding year.

The needs for total quantities of energy and for individual energy types in the country for a given time period, and the possibilities for meeting them through production and import, are specified in the Energy Balances of the country. The Ministry of Economy, in cooperation with the Energy Regulatory Commission, prepares the annual energy balance of the country for the next year, which is adopted by the Government of the Republic of Macedonia by the end of the current year.

A separate act adopted by the Government of the Republic of Macedonia, at the proposal of the Ministry of Economy, sets the criteria and the conditions for the declaration of a state of crisis, as well as the manner of supply of individual energy types under such conditions, the rights and the obligations of holders of licences for energy activities performance in accordance with the Law on Crisis Management (Official Gazette of the Republic of Macedonia No. 29/05).

In 2006, there are plans for *amending the Rulebook on the quality of liquid fuels* in order to introduce the new European standards for petrol EN 228 2005 and diesel fuels EN 590 2005. With the amendments, unleaded motor petrol will be introduced, with lead content of 0.005 gr/l, and MB 96 will be phased out. Their application will commence gradually. after the completion of the appropriate Analysis of Production Abilities of the OKTA Refinery in Skopje, as well as, the current stock of existing fuels and the dynamics of their application in the region. It should be added that in the subject period, diesel fuels were used up to 2.000 mg/kg, or 0.20 % sulphur, crude oil for M1 up to 2%, and for M2- 3% sulphur.

The energy policy of the country is defined in the *Strategy for Long-Term Development of the Complex Energy in the Republic of Macedonia*. In the Budget of the Republic of Macedonia for 2006, funds have been provided for the development of the Terms of Reference for the Strategy, while in the upcoming period, based on the Terms of Reference, efforts will be made to provide financial support for the preparation of the complex Strategy.

2. Energy Market

Electricity and natural gas market

The new Law on Energy will affirm the models of electricity and natural gas markets adopted by the *Law Amending the Law on Energy* (Official Gazette of the Republic of Macedonia No. 40/2005). Consequently, in the course of 2006, the process of developing and adoption of secondary legislation necessary for the full implementation of the Law and the establishment of a functional energy market will be carried out. In this context, in the area of electricity, adoption of Network rules for transmission and Market rules is expected in

the first quarter of 2006. The Rulebooks have been prepared by the METSO, and should be approved by the Energy Regulatory Commission.

During the first quarter of 2006, the action plan for the implementation of the obligations deriving from the Energy Community Treaty will be defined.

In the course of 2006, it is planned to continue with the process of privatization of JSC-EPCM towards its completion.

In 2007, according to the plan, the process of privatization of the companies in the energy sector will continue. In this context, the entry of private capital through sale of shares will also be opened for JSC EPGM.

Petroleum and Oil Derivatives Market

The new Law on Energy will define the rights and the obligations of participants in the petroleum and oil derivatives market. By means of law, the performers of activity of petroleum processing and oil derivatives production, transport of petroleum and oil derivatives through oil pipelines and product lines and through other means of transportation, trade in oil derivatives as wholesale, trade in oil derivatives as retail sale, and transit of petroleum and oil derivatives through oil pipeline or product line, are defined.

According to this Law, the obligation for provision of commodity reserves will be transferred from an obligation of the state to an obligation of participants in the oil derivatives market. The highest level of refinery and retail prices will be set on the basis of the Rulebook on Methodology for Setting Prices for Oil Derivatives. The Government of the Republic of Macedonia, in accordance with this Law, will prepare a Decree that will stipulate in more detail the conditions, the procedure and the manner of formation, maintaining, use and restocking of commodity reserves of oil derivatives.

Thermal or Geothermal Energy Market

According to the new Law on Energy, municipalities and the City of Skopje are obliged to establish conditions for the performance of the activities of thermal energy distribution and supply on their respective territory.

The Law will define the rights and the obligations of the producer of thermal energy or geothermal energy and of the performer of the activity of distribution of thermal or geothermal energy. The performer of the activity of distribution of thermal or geothermal energy shall also perform the management of the distribution system of thermal energy and activity of supply of thermal energy to consumers connected to the distribution system and shall provide secure and continuous supply of thermal energy.

Furthermore, the Law will define the conditions and the manner of connection, access to and use of the energy system, as well as the conditions under which legal entities may refuse the access by a third party to the transmission and distribution system due to the lack of capacity, overload of the system, functional obstacles, or the endangerment of the security, safety or quality of supply, with regard to which they shall issue a decision explaining the reasons for the refusal. It is planned that each legal entity and natural person connecting to the energy system shall acquire energy consent from the performer of the activity of energy transmission and distribution to which they connect to the appropriate energy type.

3. State aid

According to the Law on State Aid (Official Gazette of the Republic of Macedonia No. 24/03), in the course of 2006, by-law will be adopted in order to regulate conditions and the manner of awarding the state aid in certain areas, by which the conditions and the manner of awarding state aid for coal production will be defined in more detail.

4. Renewable energy

According to the new *Law on Energy*, the Ministry of Economy is obliged to prepare and adopt Strategy for the Use of Renewable Energy Sources for a 10-year period. Also, in the area of RES utilization, the entry of this Law into force will impose the obligation to adopt a Rulebook for the Use of Renewable Energy Sources, which will define in more detail the measures for RES utilization, and especially: the target percentage and the year of inclusion of renewable energy sources in the electricity balance, as well as, the procedure for issuance and registration of certificates of the origin of the electricity produced from RES.

This Law will introduce the issuance of certificates of origin, which represent a document certifying the production of electricity from RES expressed in MWh. The Agency for Energy of the Republic of Macedonia shall issue the certificates of origin and maintain a register of issued certificates. For the purposes of financial support for the electricity production from RES, the feed-in tariffs mechanism will be established. The Energy Regulatory Commission shall set the specific tariffs for buying the electricity produced from different types of RESs, the production of which shall be certified by certificates of origin. The operator on the electricity market shall distribute the contracts for bought electricity by feed-in tariffs to all suppliers in accordance with the scale of their annual electricity sale.

The electricity production from RES, as well as energy efficiency, will be also supported by the Programme for Sustainable Energy, which is expected to be operational in June 2006. For the purpose of implementing this Programme, grant assistance in an amount of

US\$ 5.5 million is expected to be approved by GEF/World Bank by the end of March 2006, and its dynamics of implementation will be defined in separate agreement. The studies developed under the Project for the Programme for Sustainable Energy Development indicate that the most appropriate institution for the establishment of IDRES is the Agency for Energy of the Republic of Macedonia, while the most appropriate institution for the establishment of the IFRES is the Macedonian Bank for Development Promotion (MBDP). The Agency for Energy will provide technical assistance to beneficiaries, as well as guidance in the provision of financial support for potential investors, in terms of subsidizing the activities for projects preparation, for the purpose of which part of the grant amounting to US\$ 1.0 million has been envisaged.

It has been envisaged to allocate certain financial resources, through the MBDP and commercial banks in the country, in the form of credits or guarantees for the projects implementation, for the purpose of which part of the grant amounting to US\$ 4.0 million has been envisaged.

The ESCO Company, which will be established as joint venture of JSC METSO and JSC "The District Heating System of the City of Skopje" – Skopje, will facilitate stimulation of the market of energy services through investments in projects of energy efficiency, following the "turn key" principle, and the principle of "third party" investment for the facilities owned by public institutions. In addition to this, part of the grant in an amount of US\$ 0.5 million has been envisaged to be used for the necessary institutional support of ESCO (JSC METSO and JSC "The District Heating System of the City of Skopje"), for the purpose of preparation and assistance in pilot projects.

5. Energy efficiency

According to the new *Law on Energy*, the Ministry of Economy is obliged to prepare and adopt Strategy for Energy Efficiency for a 10-year period.

For the purpose implementing the Energy Efficiency Strategy, a mechanism for financial support will be established on the basis of the Programme for Sustainable Energy.

Also, the adoption of new Law on Energy will impose the obligation to be prepared the relevant secondary legislation regarding energy efficiency.

6. Nuclear energy, nuclear safety and radiation protection

It is planned the Law on Ionising Radiation Protection and Radiation Safety to be amended. Also, Rulebooks regulating in more detail the matter of secure and safe application of sources of ionising radiation in line with the EU legislation, international conventions and standards of the International Atomic Energy Agency (IAEA) will be adopted.

The Rulebooks that are of priority include:

1. Rulebook on the elimination of radiation sources and activities with radiation sources by regulatory control;
2. Rulebook on radioactive waste management;
3. Rulebook on the categorization of radioactive matters;
4. Rulebook on the categorization of workplaces and workers at work with ionizing radiation sources;
5. Rulebook on detailed conditions for authorization of activities with ionising radiation sources;

It is also planned to adopt a National Action Plan for Emergency Events in Relation to Radioactive Sources.

It has been envisaged to strengthen the capacity of the Directorate for Radiation Safety (DRS), as an independent body for the management and expert affairs in the area of the secure application of the sources of ionising radiation in the Republic of Macedonia. Also the cooperation with similar institutions from other countries, international organizations and organizations and institutions within EU will be enhanced.

In addition to this, establishment of Radiation Safety Commission (hereinafter: Commission) has been envisaged. According to the Law on Ionising Radiation Protection and Radiation Safety, its establishment is within the responsibility of the DRS, and it will represent an advisory body with regard to certain issues in the area of ionising radiation protection and preparation of proposals and solutions within its competence.

In the area of nuclear safety and radiation protection, national and regional projects partially financed by the IAEA are under implementation, such as:

- MAK/4/002 "Management and storage of low and medium active radioactive waste", financed by IAEA, with the aim to construct a storehouse for low and medium active radioactive waste, thus meeting one of the conditions stipulated in Article 103 of the Stabilization and Association Agreement. The value of the project is 150,000 € and it is a donation in a form of equipment and training of the staff to work in this plant;
- MAK/9/003 "Strengthening of the capacity of services for radiation protection, implemented by the RIHP – Unit for Radiation Dosimetry". The goal of this project is to introduce the methodology for dosimetry on extremities and strengthening of the service of personal dosimetry of persons exposed at ionising radiation.

- MAK/0/003 “Prevention of trafficking in radioactive and nuclear matters”. The goal of this Project is to strengthen the national infrastructure for detection of illegal transports of nuclear materials through border crossings of the Republic of Macedonia.

3.15.1 MEDIUM-TERM PRIORITIES

In this period, activities will continue for drafting secondary legislation for the purpose of implementing the Law of Energy, attracting private investments for the construction of new energy facilities, the implementation of specific projects for energy efficiency enhancement, increase of the share of RES in the energy consumption, as well as, international activities and other ongoing activities in the area of energy.

1. Security of supply

According to the new *Law on Energy*, in the segment of oil reserves, an obligation has been stipulated for the supply and maintenance of oil derivatives to be gradually transferred to the participants in the oil derivatives market, so that in 2012 it is fully transferred under their responsibility.

The Government of the Republic of Macedonia, in accordance with this Law, will adopt a Decree by which it will stipulate in more detail the conditions, the procedure and the manner of formation, maintenance, use and restocking of commodity reserves of oil derivatives.

2. Energy market

Intensive activities of the Ministry of Economy and Energy Regulatory Commission, aimed at developing and adopting the secondary legislation necessary to implement the new Law on Energy towards the establishment and strengthening of the energy market are planned. In the area of electricity and natural gas, the activities will be carried out in accordance with the action plan for fulfilling the obligations under the Energy Community Treaty. In this period, the need for harmonization of the regulatory framework and adjustment of the market structure in line with the development of the regional energy market remains. The envisaged dynamics of opening the electricity and natural gas market should enable all consumers except households the free choice of a supplier by 1 January 2008, while for the households by January 1, 2015.

During this period, it is also expected that the deregulation of the energy sector and the newly established policy for construction of new energy facilities will start to produce results in terms of private investments effectuation, especially in the production of electricity and the distribution of natural gas.

3. State aid

Implementation of the by-law on determining the conditions and the manner of awarding state aid.

4. Renewable energy

The adoption of the *Rulebook on the Use of Renewable Energy*, which will regulate in more detail the measures for use of renewable energy, has been scheduled for the beginning of 2008. In addition to this, the Agency for Energy of the Republic of Macedonia should commence, as of 2008, with the issuance of certificates of origin for the electricity generated from RES. By the end of the medium term, the establishment of a functional mechanism for feed-in tariffs to support the RES is expected, as well as results from its implementation.

5. Energy efficiency

The priority in this period will be given to the adoption and implementation of the following bylaws on energy efficiency promotion:

Rulebook on energy performance of new and reconstruction of existing buildings that will in more detail establish the criteria to be met by the construction buildings from energy efficiency point of view;

Rulebook on technical specifications and standards for efficient utilization of fossil fuels, that will in more detail establish the criteria to be met by the motor vehicles, electricity and thermal energy production plants and other devices from energy efficiency point of view;

Rulebook on labelling the household appliances from energy efficiency point of view that will in more detail establish the criteria and the conditions for household appliances labelling from energy efficiency point of view;

Mechanisms established under the Project for Sustainable Energy should become operational and their self-sustainability should be ensured.

6. Nuclear energy, nuclear safety and radiation protection

Drafting and adoption of the secondary legislation will continue. The following aspects will be regulated: environmental monitoring with regard to radioactive contamination; health protection of the population and workers exposed to ionising radiation; protection of external workers engaged in controlled zones of radiation; basic measures for medical exposure and health protection in case of

medical exposure; in-door and drinking water related exposure to radon; development of a standard document for supervision and control of radioactive waste transportation and import certificates for agricultural products; import of food stuffs from areas affected by nuclear disaster or radiological accident.

It is also planned to be strengthened the human capacity through training involved in the system of use, safe application of ionising radiation sources, as well as in the system of regulatory control over this matter; also, establishment of training courses for regular training and permanent education in the area of radiation safety; then, to be reinforced the instrumentation equipment of institutions involved in the system of regulatory control over the system of safe application of ionising radiation sources, as well as in the prevention of illegal transportation of radioactive materials; establishment of regular monitoring over the medical exposure to ionising radiation; as well as, establishment of regular monitoring of exposure to radon – 222.

INSTITUTIONS

In the course of 2006, the *Ministry of Economy* plans to adopt a new systematization, according to which four new Units will be established within the *Sector for Energy*, these being: Unit of Investment Projects in Energy, Unit of Electricity System, Unit of Fossil Fuels and Unit of Energy Efficiency and Renewable Energy. Twelve new employments are envisaged after the adoption of the systematization, so that six persons will be employed in 2006, and 3 persons in each 2007 and 2008.

The *Energy Regulatory Commission* plans to strengthen the capacity and carry out staff training in the areas of energy market surveillance, disputes settlement, monitoring of the compliance with the obligations contained in issued licenses.

The *Agency for Energy of the Republic of Macedonia* will commence its operations in 2006. The Agency for Energy will provide support to the Government and to the energy sector in the Republic of Macedonia in the provision of efficient and sustainable energy development of the country. It will establish the expert basis for the creation of the energy policy (strategy) of the country and the development of medium and long term development plans, priorities assessment and their promotion before investors. The Budget of the Republic of Macedonia has allocated part of the funds for the Agency, which can cover the expenses for the employment of two persons in 2006.

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total
09004	Ministry of Finance, Commodity Reserves Bureau	13	0	0	0	0	13
09004 Total		13	0	0	0	0	13
10001	Ministry of Economy, Sector for Energy and Mineral Resources, Unit for Energy	6	3	3	0	0	12
	Ministry of Economy, Sector for Energy and Mineral Resources, Unit for Mineral Resources	7	0	4	0	0	11
10001 Total		13	3	7	0	0	23
19001	Ministry of Health, Radiation Safety Directorate	15	4	0	0	0	19
19001 Total		15	4	0	0	0	19
TOTAL		41	7	7	0	0	55

FOREIGN ASSISTANCE

In the area of **renewable energy**

- From the Swiss Compensation Fund, funds in an amount of 65.000 EUR have been approved to support the development of the *Study on Renewable Energy Utilization in the Republic of Macedonia*.
- For the purpose of developing *tendering documentation for a package of 10 small hydro power plants*, the Swiss Compensation Fund approved financial support in an amount of 100 000 €;
- With the financial support from the Global Environmental Fund (GEF), through the World Bank, the implementation of the *Project for the Development of the Programme for Sustainable Energy* is in the final stage. The total value of this

Project amounts to US\$ 350.000. The goal of the Project is to promote investments in the areas of energy efficiency and renewable energy, through elimination of institutional and financial barriers.

- With the financial support from the Austrian Government, activities aimed at implementing the *Project for the Use of solar energy in the Republic of Macedonia "Solar Water Heaters"* are in progress. The Project implementation is scheduled for the period between November 2005 and October 2008. The total value of the Project is 300.000 EUR;

In the domain of **energy efficiency**, with the financial support from the Swiss Government, the implementation of the *Project for efficient energy distribution* is in the final stage of implementation. The value of the Project is 12.100.000 CHF.

In the area of nuclear energy, **nuclear safety and radiation protection**, national and regional projects partially financed by the IAEA are under implementation, such as:

- MAK/4/002 "Management and storage of low and medium active radioactive waste", financed by IAEA, with the aim of constructing a storehouse for low and medium active radioactive waste, thus meeting one of the conditions stipulated in Article 103 of the Stabilization and Association Agreement. The value of the project is 150,000 € and it is a donation in a form of equipment and training of the staff to work in this plant;
- MAK/9/003 "Strengthening of the capacity of services for radiation protection, implemented by the RIHP – Unit for Radiation Dosimetry". The goal of this project is to introduce the methodology for dosimetry on extremities and strengthening of the service of personal dosimetry of persons exposed at ionising radiation.
- MAK/0/003 "Prevention of trafficking in radioactive and nuclear matters". The goal of this Project is to strengthen the national infrastructure for detection of illegal transports of nuclear materials through border crossings of the Republic of Macedonia.

3.16 TAXATION

3.16.1 TAX POLICY

The existing tax system of the Republic of Macedonia is to a large extent compatible with the tax systems of the EU countries, its fiscal capacity meets the needs of the state budget and the budgets of the local self-government units and corresponds to the market conditions for business activities, and due to the low rates of taxation it is attractive for foreign investments.

The Law on Value Added Tax has been harmonised with the Sixth EU Directive, and the Law on Excises has been largely harmonised with the system directive for excise of EU and its structural directives separately for each type of goods, subject to taxation.

The future tax policy of the Republic of Macedonia continues with the started reform of the tax system for harmonisation with the EU directives. After the successful harmonisation of the indirect taxes, there are ongoing activities for harmonisation with the EU directives in the area of direct taxation.

3.16.2 INDIRECT TAXATION

3.16.2.1 VALUE ADDED TAX

LEGAL FRAMEWORK

The 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 and 19/2004).

This law, as a basic legal act, regulates the calculation and payment of the value added tax in the turnover of goods and services carried out with compensation in the country by the taxpayer within the scope of his business activity, as well as the import of goods.

INSTITUTIONAL FRAMEWORK

Pursuant to the Law on VAT, institutions authorised for its implementation are the Ministry of Finance, the Public Revenue Office and the Customs Administration.

CURRENT SITUATION

The Law on Value Added Tax in the Republic of Macedonia has been implemented since 1 April 2000. It transposes to a large extent the requirements of the EU legislation on VAT, as follows:

1. The Sixth 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

2. The 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

In regard to the tax rates, the Law on VAT corresponds to what is provided for in the EU Directives, because two tax rates are applied in RM - the standard VAT rate of 18%, and the reduced one of 5%.

Harmonisation has also been achieved in the part of the tax treatment of investment goods with an accepted solution, according to which equipment intended for production of goods and services that are subject to taxation and real estate necessary for activity performance are fully tax exempt.

In accordance to the EU legal acts, the Law on VAT regulates the place of supply, the time of the occurrence of the tax liability, the administrative liabilities, stipulation of special schemes applicable to tour-operators, the tax refund, etc.

Having regard to the fact that the basic law on VAT in the Republic of Macedonia has been prepared before the 2000, whereas the Sixth Directive, the aim of which is harmonisation of the laws in the Member States in the area of VAT, is constantly undergoing changes, it is necessary to incorporate them in the Macedonian legislation.

SHORT-TERM PRIORITIES

Adoption of amendments to the Law on VAT is currently undergoing in order to include some provisions in the part of tax exemptions on importation in order to comply with the new Customs Law.

In order to fully harmonise the Law on VAT with the Sixth Directive (31977L0388), as well as other EU legal acts related to VAT, during the 4th quarter of 2007 we will focus on preparing and adopting a Law Amending the Law on VAT to the end of harmonization regarding the application of the Law on VAT provisions in the free zones, as well as harmonisation of the threshold for mandatory registration for the VAT purposes.

MEDIUM-TERM PRIORITIES

The harmonisation process will be strengthened especially during 2009, when it is planned to complete the harmonisation of the national legislation with the EU one. Harmonisation will be aimed at introduction of "special taxation procedures", by introducing special schemes for taxation of the "investment gold", "second-hand goods, works of art, collectors' items and antiques," as well as incorporation of provisions for the electronically supplied services.

The harmonisation will simultaneously be performed in the area of turnover of goods and services inside the Community among the tax payers registered for the VAT purposes from different EU Member States, with simultaneous harmonisation in the area of invoicing, i.e. incorporating supplemental elements which should be included in each invoice while performing turnover in the community.

In the process of harmonisation of the legislation in the area of VAT, the following EU acts will be taken into consideration:

- The Sixth Council Directive – 31977L0388 (Sixth Council Directive 77/388/EEC of 17 May 1977 on the harmonisation of the laws of the Member States relating to turnover taxes – common system of value added tax – uniform basis of assessment), as well as 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
- The 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);
- The 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;

3.16.2.2 EXCISE

LEGAL FRAMEWORK

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 the excises which are collected directly or indirectly for consumption on the territory of the Republic of Macedonia for: mineral oils, alcohol and alcoholic beverages, tobacco products and passenger cars. It contains the provisions for taxation, excise privileges, excise exemptions, administrative liabilities, registries, legal protection and penalty clauses.

INSTITUTIONAL FRAMEWORK

Pursuant to the Law on Excises, institutions authorised for its implementation are the Ministry of Finance, the Public Revenue Office and the Customs Administration.

CURRENT SITUATION

In 2001, having regard to the basic principles and objectives of the taxation system reform, aimed at developing the existing system into a new modern and efficient system which will correspond to the business market conditions, and will be compatible with the tax systems in the European Union, the Ministry of Finance started preparing a new Law on Excises. Another very important reason for step towards preparing a new Law on Excises is the determination of the Government of the Republic of Macedonia to join the EU as soon as possible and establish a common market with the EU Member States.

The basic grounds in drafting the Law on Excises is the European Union System Directive, as well as its accompanying structure directives separately for each category of products, subject to excise duties. These directives regulate the main parts of the excise system, such as: territory of application, subject to taxation, production, processing and warehousing, transport, tax exemptions and minimum level of duty rates.

The Law on Excises is already aligned with the EU excise directives to a great extent, separately for each category of products, subject to taxation.

SHORT-TERM PRIORITIES

The short-term priority regarding the amending the tax regime for tobacco products in order to put an end to the existing discrimination between domestic and imported products has already been realised by adopting the Law Amending the Law on Excises (Official Gazette of the Republic of Macedonia, No 45/2002), which stipulates a levelling of the excise duties of domestic and imported cigarettes, starting on 1 January 2007.

MEDIUM-TERM PRIORITIES

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 in particular the provisions on excise warehousing, which are still not incorporated in the Law on Excises, will be included in 2009 in order to implement the intra-Community suspension regime.

These amendments will lead to harmonisation with the provisions of the Directive for restructuring the Community framework for taxation of energy products and electricity (32003L0096), 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 required 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, Republic of Macedonia will need a transitional period in order to moderate the price impact on the population.

3.16.3 DIRECT TAXATION

3.16.3.1 PROFIT TAX

LEGAL FRAMEWORK

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 and 120/05) regulates the manner of taxation of the profit realised by legal entities, residents and non-residents in the Republic of Macedonia.

INSTITUTIONAL FRAMEWORK

Pursuant to the Law on Profit Tax, the Ministry of Finance and the Public Revenue Office are the institutions authorised for its implementation.

CURRENT SITUATION

The Law on Profit Tax defines the following terms: tax payer, tax base, expenses recognised as expenditure in the tax balance which influence the level 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 the profit tax, tax period and penalty clauses.

SHORT-TERM PRIORITIES

In order to harmonise the Law on Profit Tax with the EU directives, expert assistance will be necessary regarding the accurate interpretation of the directives and their transposition in the Law, although, the Republic of Macedonia, by broadening the net of the Agreements on Avoidance of Double Taxation with the EU Member States, is trying to achieve the general objectives of harmonisation with the EU. It is necessary to improve the transparency and the exchange of information with the EU Member States in the application of the measures preventing tax evasion. In this context, the exchange of information with the EU Member States can be based on the model of the OSCE agreement on exchange of information.

It is also necessary to determine the tax measures in the domestic legislation in accordance with the principles of the Code of Conduct for business taxation.

MEDIUM-TERM PRIORITIES

To the end of eliminating the obstacles emerging in the relations between the companies in the EU common market, subject to harmonization in the new Law on Profit tax, which will be adopted in 2008, will be: the common system of taxation applicable to mergers, divisions, transfer of assets and exchanges of shares among companies from different Member States (31990L0434), the common system of taxation applicable in case of parent companies and subsidiaries of different Member States (31990L0435), collecting duties for contribution to capital in the capital companies (31969L0335) and the common system of taxation applicable to interest and royalty payments made between associated companies of different Member States (32003L0049).

Arbitrary procedures for prevention of double taxation relating to profits among associated companies of different Member States should also be introduced.

The new Law on Profit Tax will also be harmonised with the principles of the Code of Conduct for Business Taxation. The Merger Directive will be transposed in regard to removing the obstacles for trans-border business reorganisations.

3.16.3.2 PERSONAL INCOME TAX

LEGAL FRAMEWORK

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 and 120/05), fully regulates the taxation of the annual income of natural persons, realised as sum of net revenues from all sources: personal income, revenues from agricultural activity, revenues from independent activity, revenues from property and property rights, revenues from copyrights and industrial property rights, capital revenues, capital gains, gains from games of chance and other income. Apart from the income for which tax is paid, the Law also regulates the tax exemptions on incomes, the tax payer, the tax base, the tax rates, the manner of calculating and paying the personal income tax, the complaint procedure, renewal of the procedure and penalty provisions.

INSTITUTIONAL FRAMEWORK

Pursuant to the Law on Personal Income Tax, the Ministry of Finance and the Public Revenue Office are authorised for its

implementation.

CURRENT SITUATION

In 2001, personal income tax rates decreased from 23%, 27% and 35% to 15% for annual income of up to 360,000 MKD, 18% for annual income of 360,000 to 720,000 MKD, and 24% for income exceeding 720,000 MKD, and new solutions are constantly being included to the end of broadening the tax base and stimulating investments.

The Law on Personal Income Tax also includes provisions that regulate the avoidance of double taxation under the method of recognition (deduction) of the tax paid abroad, through the mechanism of avoidance of double taxation of the income of natural persons, realised through bilateral agreements for avoidance of double taxation on income, concluded by the Republic of Macedonia with other countries.

The Macedonian draft-agreement for avoidance of double taxation, as well as most of the draft agreements of other states is based on the OECD Agreement sample.

Thus, the Republic of Macedonia applies the tax system on individual income which is, without exception, the most applied model in the modern fiscal systems.

SHORT-TERM PRIORITIES

The obligations relating to the harmonisation of the Law on Personal Income Tax with the EU Directives in 2006 and 2007 will be carried out as preparations for drafting a new law, by examining the systems and experiences of the EU Member States in the normative regulating of taxation of certain sources of income of natural persons regulated with the directives and the other documents of the community.

This mainly refers to the Directive on the common system of taxation applicable to mergers, divisions, partial divisions, transfer assets and exchanges of shares concerning companies of different Member States (31990L0434), in the part which concerns the taxation of the shareholders, i.e. which deals with the area of income of natural persons.

Therefore, upgrading of experiences of the tax administration for implementation of this directive will be a short-term priority.

The short-term priorities regarding harmonisation of the Law on Personal Income Tax will also refer to the preparations for implementation of the two recommendations, as follows: The Commission Recommendation (94/79 EU) on the taxation of certain items of income received by non-residents in a Member State other than that in which they are resident, and the Commission Recommendation (94/390 EC) concerning the taxation of small and medium-size enterprises, whose provisions shall refer to natural persons - executors of independent activity who are payers of the personal income tax.

MEDIUM-TERM PRIORITIES

Approximation of the domestic legislation with the EU legislation in the part of taxation of the income of natural persons in the period 2008-2010 will be carried out through adoption of a new Law on Personal income Tax and its bylaws, in the fourth quarter of 2008, to be applied from 2009. The law will incorporate most of the EU directives and recommendations from this area. Just before the accession in the EU, a Law Amending the Law on Personal Income Tax and bylaws will be adopted, thus fully harmonising the legislation covering taxation of the income of natural persons with the EU legislation.

The realisation of these measures will be carried out through special projects and participation of foreign consultants from the EU Member States, in order to create conditions for incorporation and implementation of the new solutions compatible with the Directive (32003L0048) for taxation of the interest payments and the special agreements of EU with Andorra, Lichtenstein, Switzerland, Monaco and Austria.

What is of special importance for this Law is its harmonization with the Directive concerning the income in the form of interest payments. The main objective of this directive is the confirmation that the income from the savings in the form of paying interests (from denar deposits in banks, debt securities 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 in which the natural person is resident. Having in mind the above-mentioned purpose, a mechanism is determined for many states for automatic exchange of information about the interest rates of the natural persons between the Member States regarding their residents. To that end, and in accordance with the Directive on common aid from bodies in the Member States authorised for direct taxes, certain kinds of excise duties and taxation of the insurance premiums, the Republic of Macedonia would have to incorporate the provisions of the Directive in the domestic legislation, and by the day of accession at the latest, to apply the requirements for automatic exchange of information in the part of interest payments and other incomes of natural persons, which are subject to taxation in accordance with the personal income tax.

INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget No	Institution	2006	2007	2008	2009	2010	Total
09001	Ministry of Finance – Sector for Tax and Customs System	0	4	4	0	0	8
09001 Total		0	4	4	0	0	8

FOREIGN ASSISTANCE

Part of the priorities for harmonisation of the legislation will be supported with funds from the CARDS programme 2006 within the project "Preparation of legal acts and bylaws for direct taxes".

3.16.4 MUTUAL ASSISTANCE

The Council Directive 31977L0799 concerning mutual assistance by the competent authorities of the Member States in the field of direct taxation, and all its amendments, as well as the Council Directive 31976L0308 and all its amendments will be incorporated in the tax legislation as a medium-term priority. The Council Regulation 32003R1798 is one of the most important documents in the area of exchange of information and mutual cooperation of the Member States. Considering that the Regulation is a legal act which is directly applicable in the Member States, there is no need to incorporate it in the Macedonian legislation. It will be directly applied from the date of accession of the Republic of Macedonia in the EU.

3.16.5 PUBLIC REVENUE OFFICE

CURRENT SITUATION

The objective of the Public Revenue Office of the Republic of Macedonia is to collect taxes and other public duties in accordance with the Law in order to secure the state functions. Apart from that, the Public Revenue Office provides assistance and support to the tax payers in the Republic of Macedonia for voluntary compliance with their tax liabilities.

INSTITUTIONAL FRAMEWORK

The Public Revenue Office (PRO) is a state administrative body within the Ministry of Finance, with a status of a legal entity. It performs its activities through the General Directorate, regional offices (6) and tax units (24) with a total of 1163 employees.

LEGAL FRAMEWORK

Until September 2005, the legal framework determining the administrative capacity of the Public Revenue Office in terms of the status and organisational setup of the PRO, the scope of activities, working assets and the special provisions, was laid down in the Law on Assessment and Collection of Public Revenues, when the Law on the Public Revenue Office was adopted. The new law regulates the scope, organisational setup, manner of performing the work and the management of the Public Revenue Office, as well as the authorisations and responsibilities when collecting, recording, processing and protecting the data related to the activities of the Public Revenue Office.

The activities regarding registration of tax payers, tax declaration, tax recording, confidentiality of data, inspection supervision, preparing minutes, reaching decisions, provisions on complaints, postponing the execution, forced collection, public sale, overdue tax interest, refund an overpaid or erroneously paid tax, cancellation of tax liabilities and penalty provisions were regulated with the Law on Assessment and Collection of Public Revenues until the Law on Tax Procedures was adopted. The Law on Tax Procedures was adopted by the Assembly of the Republic of Macedonia on 25 January 2006, and will be applicable from 1 April 2006.

The reasons for the adoption of Law on Tax Procedures were the difficulties in the management of the administration procedure so far due to the implementation of several laws – Law on General Administration Procedure, Law on Assessment and Collection of Public Revenues and tax laws for specific kinds of taxes. The specificity of the issues which are to be regulated on the one hand and the application of inadequate solutions contained in several laws on the other, led to slow and inefficient administration procedure. The result was not quite clearly defined and distinguished competences of the Public Revenue Office and the tax payers.

The Law on Tax Procedures creates uniform bases for the general tax law and the tax administration procedure. It regulates the following in a unified manner: general tax law, procedure for tax assessment, control procedure, procedure for collecting public revenues, rights and obligations of the tax payers and tax penalty procedure and the procedure for fines.

The Law has been prepared with the technical assistance of the German Government, realised through the German Association for Technical Cooperation (GTZ) so that the Republic of Macedonia gets a modern, acceptable and applicable law in terms of the requirements for membership in the European Union.

This legal framework will provide a possibility for strengthening the administrative capacity for implementation of the laws and fight against tax evasion by undertaking short-term and medium-term measures.

SHORT-TERM PRIORITIES

The legal framework will provide restructuring of the General Directorate of PRO and its organisation into separate sectors for function and for support managed by different directors, whereas the internal control and audit, the unit for complaints and legal services will be directly managed by the PRO director. Therefore new legal acts for organisation and systematisation will be adopted in the first quarter of 2006, and the number and the type of necessary personnel will be determined, managers will be appointed and employees will be deployed at all levels.

In the fight against tax evasion, programmes for electronic tax services will be implemented in the course of 2006; a comprehensive programme for collection and measures for measuring the results will be designed, and an Office for 100 largest tax payers will be opened.

The system of electronic tax services will enable a two-way communication between the PRO and the tax payers (preparation, authorisation and electronic delivery of tax declarations for all types of taxes, taking data for the tax declarations from the information systems of the users, submission of requests and attachments, as well as obtaining reports in electronic form from the tax records which is kept in the Public Revenue Office). In the first phase it is intended for the largest tax payers in the Directorate for Large Tax Payers, but in the future it will be used for all tax payers, natural persons, performers of activity and legal entities.

The comprehensive programme for collecting taxes envisages the following activities:

Programme for registration and identification of new tax payers, and above all, development of the monitoring system through exchange of data with PDIFM (Pension and Disability Insurance Fund of Macedonia) and the Central Register through the one-stop shop system and consolidation of the existing data; Programme for identification of not submitted or belated tax declarations, supported with the activities of comparison of data with other competent institutions (Central Register and PDIFM); Programme for collecting tax arrears - structuring the arrears according to their period of incurrence and possibilities for their collection, establishing a reporting system for the types of arrears, training of personnel for collection according to modern methods; Programme for improvement of inspection techniques; Development of adequate computer systems for detection of arrears, calculation of interest and fines, generating warnings and requests for collection and reports. (Activities provided for in the Project E-accounting, which will begin in 2006).

The program for establishing measures for measuring the result envisages identification of a key set of measures for the results when administrating the taxes, comprising quantity and quality measures for each functional area in PRO; developing standards for each result; determining criteria, procedures and forms for carrying out quality control of each functional area, and also regular publication of the reports on the work in the public and establishing methodology for measuring the level of contentment of the tax payers from the overall work of PRO and its different programs.

Establishment of a Directorate for Large Tax Payers (DLTP) has also been envisaged, which as a regional directorate within PRO will administer taxes and will carry out other activities within PRO, in the beginning for 100-140 largest tax payers selected after the carried out turnover for VAT purposes in 2004 and the total tax payments. It will also cover holders of excise permits, all banks and insurance companies, as well as the larger foreign investments.

The aim is to increase the collection of the revenues, improve the investment climate by creating client-oriented approach and piloting new systems and procedures in a well-controlled environment. The list of taxpayers covered in DLTP will be coordinated with the list of the 100 largest payers of social contributions, for whom a special unit is going to be established (OLCP) within the Pension and Disability Insurance Fund of Macedonia, which will cover the Health Insurance Fund and the Employment Agency.

A special detailed organisational structure is being prepared for DLTP, paying special attention to the services to taxpayers, as well as collection of taxes related to the working methods with the large tax payers.

Compliance will be provided of the information systems of DLTP and OLCP.

DLTP will have its premises and equipment, and at the beginning 35 persons will be employed. DLTP will start function from 30 June 2006.

In the area of activities for prevention of tax evasion in the relations with the other EU states, activities will be undertaken for improvement of the transparency and the exchange of information according to the OSCE model of agreement on exchange of information.

In order to accomplish this objective, the PRO will start an initiative for concluding and ratifying new Agreements on Avoidance of Double Taxation with other states, will work on creating legal bases for carrying out direct exchange of data and information with the tax administrations from the other states with which Treaties and Agreements for avoidance of double taxation have been ratified, and will determine authorised contact persons.

Therefore, all ratified treaties and agreements for avoidance of double taxation will be published on the PRO website in Macedonian and in English, for what it is necessary to employ a translator.

The electronic exchange of data is planned for 2008.

The overall capacity of the Public Revenue Office in 2007 will be also strengthened by undertaking structural measures for urgent reforming of the control policy, by improving the control capacity and developing audit strategy and adequate objective control systems.

To that end, special education for tax control by types of activities will be organized, as well as specialised trainings for control methodologies. Control methods for fight against corruption and other punishable acts will be developed.

Function of services of tax payers and function of tax control in economic sectors will be developed within the DLTP in order to provide maximum efficiency and effectiveness in administering and control of taxes. The new adopted methods will be transferred to other organisational parts of PRO, thus carrying out educational activity.

Having the DLTP established, education will be provided for specific methodologies of control of large tax payers, paying special attention to the application of the International Accounting Standards. Education for application of the IAS has been planned within the World Bank REPARIS program, for which the dates have not yet been determined.

Education on the application of methodologies of transfer prices is necessary.

A special methodology for control when registering new businesses will be developed, as well as methodology for urgent controls, full controls, methodologies for control of the possibility and of the types of collection of debts.

There will be education courses on the implementation of the Law on Tax Procedures and procedures and other acts will be prepared with the assistance of the Project of the German Government realised by GTZ.

Adopting audit strategy for an objective control system and adequate IT systems will enable defining of objective criteria for selecting for control, risk factors for certain taxes and for certain statuses of companies in order to avoid subjective approach towards the selection of control and avoidance of discriminatory application of legislation.

For the purpose of complete realisation of the mentioned measures, it is planned to prepare adequate software packages within the E-Accounting Programme. The IT personnel in the PRO will co-operate with the designers of the software programmes in the phase of designing and application of the software, and will be trained to work on the system, but also maintain it, update it and develop it.

Effects from the undertaken measures should be further developed with the tax administration reform and secure its regular functioning. Therefore, further development and updating of the electronic tax services will continue, enabling other electronic communications with the tax payers, planned to be completed by the end of 2007.

MEDIUM-TERM PRIORITIES

From 2008, PRO will continue with the implementation of a strategy for control of VAT, excises and direct taxes through adoption of quarterly plans with concrete activities, and a strategy for control of social contributions will also be adopted.

One of the PRO priorities this year is the realisation of the measures, which will lead to merging of the collection of taxes and social contributions. The process will begin with coordination of the activities between the social funds and PRO, and further on with integration of the control and the collection of social contributions and taxes in PRO. The crucial steps will first be implemented at the large tax payers and the payers of contributions before they are implemented among the others.

The preparatory phase means establishing Directorate for Large Tax Payers (DLTP) and Office of Large Contribution Payers (OLCP), and taking over the control competences by the PRO. The second phase will start in July 2008, when the two offices will be integrated in PRO.

The activities in the area of human resources are also a priority for the Public Revenue Office. A Strategy for Education, annual plans and programmes for education will be prepared after the establishment of a separate Human Resources Sector, in accordance with the needs of the working positions and the experience of the employees, and the needs for new employments will be also defined.

One of the priorities, which is of special importance for the PRO is the development of IT systems, especially establishment of an excise IT systems (MVS, EWS/E and SEED) and their connection with the EU computer systems, establishment of computer systems for movement and control of excise goods inside the Community (EMCS), establishment of VAT Information Exchange system (VIES), establishment of a new organisational part within PRO with specially educated personnel, which requires employment and adequate equipment.

PRO plans to include and to give priority to the stated programs for connection with the EU systems. If these programs are standardised and with different IT platform, they will need to be purchased, new equipment, IT personnel and training will need to be provided and organized, as well as integration in the overall IT system of PRO. Regarding the excise system, PRO can plan all this if it is completely certain that the competencies for administrating the excise remain within the PRO and are not transferred to the Customs Administration in 2008.

The EMCS and VIES systems are usually established before the accession of the country in the EU. Technical assistance for designing of the systems and the manner of their implementation are usual for the countries that start establishing it, and therefore PRO will need assistance as well.

At the same time, it is necessary to establish a special organisational part (Central Liaison Office), which will have a direct access for VAT and excise purposes, to the database in the other EU Member States, and which will be responsible for the control of the relations of the taxpayers among the member states.

Certain expenses will be necessary for establishment of the office: premises, equipment, hardware and software, new employments and education of the employees.

The largest part of the budget funds will be used for introduction of new IT systems (hardware and software), training of personnel for its use and maintenance, as well as provision of premises and office equipment, where they will be situated as a separate liaison office. No foreign assistance has been provided for this purpose, but it is reasonable to expect some. The remaining funds are necessary for the establishment of the new systems of work, new employments and personnel education.

INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget No	Institution	2006	2007	2008	2009	2010	Total
09005	Ministry of Finance – Public Revenue Office	35	10	10	35	25	115
09005 Total		35	10	10	35	25	115

FOREIGN ASSISTANCE

Year	Amount in euro
2006	1.130.000
2007	800.000
2008	
2009	
2010	
Total	1.930.000

The Public Revenue Office is currently using technical assistance from the German Government, which is realised through the German Association for Technical Assistance (GTZ), in drafting the Law on Tax Procedures and education related to it; from the American Government through the USAID-Project IMPACT financing the designing of the software for electronic reception of tax declarations and education for its use. Within the IMF FAD Mission, technical assistance from the Dutch Government is provided, to be realized by the Dutch Ministry of Finance, and it will refer to preparation of a comprehensive programme for collection and measures for measuring the result, developing a strategy, planning control and tax control education. Technical assistance from the Italian Government with the support of UNDP – Electronic Accounting is expected to start in 2006.

3.17 ECONOMIC AND MONETARY UNION

3.17.1 GENERAL DIRECTIONS

The laws regulating the public finances and the operations of the National Bank form the main legal framework in this area.

One of the more significant documents in the part of public finances is the Fiscal Strategy of the Republic of Macedonia, by which the process of planning the public finances of the Republic of Macedonia is approximated to the principles of the European Union Member States. The fiscal strategy is developed for a period of three years and it provides bases for defining the overall economic policies of the Government, by setting the directions of the macroeconomic and the fiscal policies, financial management and adequate control of spending the budgetary funds. The fiscal strategy defines: the macroeconomic framework for the current year and the projections of the main indicators in the following three years, collection of the budget revenues and execution of the budget expenditures for the current year and their projection in a medium run, as well as the assumptions and the risks determining the Government's projections and policies in a medium run.

The process of integration into the EMU takes place in four stages: prior membership, membership in the European Union, admission to the ERM2 and admission to the EMU.

The main institutions, the Ministry of Finance, the National Bank of the Republic of Macedonia, the Ministry of Economy and the State Statistical Office in the framework of their competencies are responsible, for the adoption and application of the laws, implementation of the policies, improvement of the statistical data quality, as well as coordination of the economic policies.

3.17.2 MONETARY POLICY

I. CURRENT SITUATION

a) LEGAL FRAMEWORK

Law on the National Bank of the Republic of Macedonia

The Law on the National Bank of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia" No. 3/02, 51/03, 85/03, 40/04, 61/05), adopted in the beginning of 2002 and the amendments, has been to a large extent harmonized with the European regulations pertaining to the objective and the positioning of the central banks in the EU countries, primarily the Statute of the ESCB and the European Central Bank. According to article 3 (paragraph 1), the main objective of the National Bank is to maintain the price stability in the country. The National Bank supports the economic policy and strives for financial stability of the country without jeopardizing the realization of the main objective, and adhering to the principles of open market economy and free competition, which indicates high degree of compliance with this part of the Treaty (article 3, paragraph 2).

The National Bank of the Republic of Macedonia has a high degree of functional independence guaranteed under the Constitution of the Republic of Macedonia and the Law on the National Bank of the Republic of Macedonia. In accordance with Article 60 of the Constitution of the Republic of Macedonia, the National Bank is independent and responsible for the stability of the currency, for the monetary policy and for the general liquidity of domestic and international payments. The National Bank is independent in performing its functions, enjoying financial and administrative independence. When performing its functions, the National Bank and the members of the decision-making bodies neither require nor get instructions from the central government and the administrative bodies (article 4 of the Law). The National Bank determines the instruments and measures for performing its functions.

According to article 70 of the Law, the Governor of the National Bank is appointed by the Assembly of the Republic of Macedonia upon proposal of the President of the Republic of Macedonia, for a term of seven years, eligible for one consecutive election. Vice-Governors are appointed by the Assembly of the Republic of Macedonia upon proposal of the Governor for a term of seven years, eligible for one consecutive election (Article 70). The external members of the Council of the National Bank are appointed by the Assembly of the Republic of Macedonia upon proposal of the President of the Republic of Macedonia for a period of 7 years, without eligibility for another consecutive election (article 60). The law stipulates (article 60, 70 and 73) the terms for termination and relieving from office of the Governor the vice-Governors and the external members of Council of the National Bank.

The longer term of office of the Governor, the Vice-Governors and the National Bank Council external members, relative to the term of office of the Government and the President of the State, ensures their personal independence.

The National Bank has full financial and administrative independence (article 5). The financial plan and the annual financial statement of the National Bank of the Republic of Macedonia are adopted by the National Bank Council (article 92). The capital of the National Bank is neither transferable nor subjected to any encumbrance whatsoever (Article 7 of the Law).

The Law stipulates an explicit ban on lending to and financing the Government bodies, government administration bodies and other public institutions and public enterprises. The NBRM does not guarantee for the assumed liabilities of the Government bodies, government administration bodies and other public institutions and public enterprises (article 51).

Monetary policy and exchange rate policy instruments

The NBRM Law defines the legal framework for conducting and setting the monetary policy and the exchange rate policy by determining instruments and measures. The current set encompasses the following instruments:

1. Reserve requirement
 - Reserve requirement in Denars
 - Reserve requirement in foreign exchange
2. Open market operations
 - Issuance of central bank bills
 - Credit operations
 - Foreign exchange swap operations
3. Overnight credit facility

The existing set of NBRM instruments has been designed at a time of structural excess liquidity and therefore it is not fully consistent with the set of instruments applied by the ECB which functions in an environment of structural shortage of liquidity. For that purpose, at the end of June 2005 the General Repo Agreement was promoted, which represents a legal basis for concluding *repo transactions* with Government securities among the market participants. Also, Rules for trading on over-the-counter markets have been adopted, which enable conclusion and settlement of repo transactions on over-the-counter markets, for the market participants. Additionally, the National Bank amended part of the by-laws pertaining to the monetary instruments. The National Bank substituted the manner of extending the Lombard credit by taking securities as a pledge that has been used so far, with extending an overnight credit facility by way of repo transaction. Changes were made to the daily overdraft, which is extended on request of the bank, rather than automatically, by way of repo transaction. In order to protect the NBRM's assets, with the latest amendments to the regulations pertaining to the collateral that the National Bank uses when conducting the monetary operations a percentage of coverage is defined, differentiated on the basis of the maturity until the securities fall due. Simultaneously with the establishing of the legal framework for concluding repo transactions, an adjustment of the System for settlement on over-the-counter markets was made, which besides the settlement of outright transactions with securities, covered the settlement of repo transactions.

Statistics

The National Bank is the only official institution authorised for collection, processing and publishing data on monetary statistics (Instructions for filling in, collecting, controlling and processing of the data from the bookkeeping records of the banks from 1992). The monetary statistics in the NBRM is compiled in line with the Monetary and Financial Statistics Manual of the IMF³. Besides monetary statistics, the NBRM prepares certain financial indicators (banks' interest rates, interest rates on the money market, and data on treasury bills). The legal act of the EU, 32001R0018 (01) which pertains to the interest rates statistics has been largely implemented with the adoption of the Decision on submission of data on the interest rates of banks for deposits accepted and credits extended ("Official Gazette of RM" No. 25/2005) and the Instructions for filling in of reports on interest rates on deposits accepted and credits extended ("Official Gazette of RM" No. 25/2005). This regulation will be fully complied with once the Republic of Macedonia acquires the status of a Member State of the EU.

The National Bank is the only official institution authorised for the collection, processing and publishing data on balance of payments statistics. The monetary statistic is prepared in accordance with the Monetary and Financial Statistics Manual of the IMF. The adherence to the international standards and codes for compilation of the balance of payments was subject to evaluation by the ROSC⁴ mission of the IMF in 2004, whose report was published on the IMF's web site. The assessment in the part of the balance of payments statistics are positive, which means that the compilation of the balance of payments is largely in compliance with the international standards.

Financial accounting

In accordance with the NBRM Law, the preparation of the financial statements and the financial reporting of the National Bank are made in line with the International Financial Reporting Standards, IFRS⁵.

Law on State Statistics

The Law on State Statistics ("Official Gazette of RM" No. 54/97) regulates the layout and the operations of the state statistics, the methodological and organizational bases of the statistical research, the compilation, presentation, keeping protection and provision of statistical data. The Law on State Statistics is harmonized to a large extent with the EU regulations in this area.

In 1993, the State Statistical Office started implementing the methodology for calculating the gross domestic product ESA 95, it has been continuously improving the calculations, and it has been following the on-going changes and consolidations. In 2002, the

³ Monetary and Financial Statistics Manual, International Monetary Fund.

⁴ Report on the Observance of Standards and Codes, International Monetary Fund, 2004.

⁵ International Financial Reporting Standards, International Accounting Standards Board.

Standard classification of the institutional sectors was adopted, where they are grouped according to the type of production and their main activities and functions, which are taken as indicators for their economic behaviour. By Government Decision from September 2005, Classification of the institutional sectors was adopted, fully harmonized with the international recommendations according to ESA 95.

Underway are the activities for establishing a National Classification for Government Finance Statistics, whose application will provide for harmonization in the compilation, analysis and publication of the statistical data on the units and transactions related to government spending.

b) INSTITUTIONAL FRAMEWORK

Pursuant to Article 60 of the Constitution of the Republic of Macedonia, the National Bank is established as a emissions bank, which is independent and responsible for the stability of the currency, for the monetary policy, and for the general liquidity in the payments within the Republic of Macedonia and towards foreign countries. In line with the Constitution, the organization and the operations of the NBRM are governed by a law.

In accordance with the Law on the organization and operations of the government administration bodies ("Official Gazette of RM" No. 58/00, 44/00), the Ministry of Finance proposes the Law on the National Bank, while the National Bank is an institution authorized to implement the Law, as well as a holder and an institution authorized to adopt the by-laws.

FOREIGN ASSISTANCE

During the past period, various NBRM's departments received technical assistance provided mainly by international financial institutions (IMF). IMF's technical missions were related mainly to improvement of the monetary policy instruments, liquidity management, foreign exchange market operations, payment systems, development of the money market and securities market, as well as to improvement of the monetary and balance of payments statistics. In addition, technical assistance has been received from experts from the Central Bank of Holland and from the Central Bank of England. NBRM's personnel have been trained additionally by attending IMF's seminars and seminars provided on a bilateral basis by other central banks.

II. SHORT-TERM PRIORITIES

Adoption of new Law on the NBRM

In 2007 a new Law on the NBRM will be adopted in order to achieve further harmonisation of the legislation with the Statute of the ESCB and of the ECB. The new law will stipulate precise definition of the four types of independence of the National Bank (functional, institutional, personal and financial) precise definition of the provision pertaining to the protection against conflict of interests of the members of the National Bank Council; redefinition of the provisions defining capital and reserves, revenues and expenditures, in line with the accounting rules, standards and principles of the ECB; regulation of the relations of the National Bank with the European Union pertaining to the cooperation with the ECB and the other institutions and bodies of the European Union.

Adjustment of the monetary instruments of the NBRM to those of the ECB

In order to shift from the stage of structural excess to a stage of structural shortage of liquidity, the National Bank plans to abolish gradually the central bank bills, i.e. to replace them with government securities for monetary purposes. After reducing the structural excess liquidity, the intention is to introduce a deposit facility for the banks with the NBRM, which will enable the establishment of a corridor for movement of the market interest rates. After the shift to the stage of structural shortage of liquidity, the NBRM plans to introduce open market operations through repo transactions during the conduct of the monetary interventions. Along with the activities aimed at development and deepening of the secondary markets of securities, and especially of treasury bills, the intention is to introduce also banks as market-makers at the government securities market.

Therefore, the key priority in this period are the reforms aimed at further development and deepening of the secondary markets for trading in securities in the Republic of Macedonia.

Adjustment of the statistics

In the area of statistics, the following activities will be undertaken by end 2006:

Balance of payments

Developing a system of electronic submission of data from the authorized banks, regarding the international transactions (ITRS⁶), which will trim down the time needed for preparation of the data for the balance of payments.

Supplementing the ITRS system with other data sources, primarily inclusion of the data on the reinvested profit from the annual questionnaire for foreign direct investments in the balance of payments.

⁶ International Transaction Reporting System.

Monetary statistics

Incorporating the balance of savings houses in the monetary survey, which will provide more comprehensive coverage of the developments in the financial sector. Thus, compilation of a banking survey would start, which, besides the banks, would include data on savings houses.

III. MEDIUM-TERM PRIORITIES

In this period, along with the enhancing relations between the Republic of Macedonia and the European Union, a need would arise for approximation of the legislation regulating the following matter:

- The EU regulation 31988D0415, which pertains to submission of the legal regulations of the central bank to the European institutions which would require precise definition of the timeframe for application of this legal act;
- The EU regulations 31971D0142, 31964D0300, 31964D0301 32001D0150, which pertain to the mutual cooperation of the national central banks and their cooperation with the ECB. This will be continuously supplemented, while all obligations will be fulfilled with the acquiring of the status of an EU Member State.
- The EU regulation 1197E110 pertaining to the application and the adherence to the ECB regulation by the national central banks, as well as the regulations 31998P2532, 3199P2157, pertaining to the authorization of the ECB to introduce sanctions against the national central bank for non-compliance with its regulations, will be applied upon the accession of the Republic of Macedonia to the EU;
- In order to adjust further the set of monetary policy instruments of the National Bank to the layout of the monetary instruments of the ECB in the forthcoming period, depending on the conditions during the monetary policy conduct, the NBRM will make an adjustment in the instrument reserve requirement (gradual reduction of the reserve requirement rate; change in the manner of calculating the reserve requirement; change in the period for maintaining the reserve requirement, etc.) Full harmonization with the EU Directive: Council regulation concerning the application of minimum reserves by the ECB 2531/98 will be made at the moment of admission of the Republic of Macedonia to the EMU;
- All other monetary instruments, except for the reserve requirement, which are being regulated with the EU Directive Guideline on monetary policy instruments and procedures of the Euro system, of 7 March 2002 amending Guideline ECB/2000/7, will be gradually harmonized with this legal act of the EU. Full harmonization with the abovementioned EU Directive will be made at the moment of admission of the Republic of Macedonia to the EMU;
- In order to adjust further the statistics (the part that is within the competence of the NBRM) to the ECB requirements, in the forthcoming period the NBRM will continuously make adjustments. Most of the EU Directives (32002O0010, 31998R2533, 32004O0001, 32002O0007, S32001R2423) will be applied in full, upon the accession of the Republic of Macedonia to the EU.
- The NBRM will continuously make adjustments to the financial and accounting statistics and to the manner of reporting to the ECB. The National Bank will start the preparations for application of the EU Directives the EU Directives 32002O0010 and 32002O0010 upon the accession of the Republic of Macedonia to the EU

State Statistical Office

The list of medium-term priorities of the State Statistical Office comprises of the following activities:

- Revision of the methodology for GDP calculation;
- Preparation of a Methodology for classification of the business agents according to the classification of government functions COFOG;
- Finalization of the project for achieving comprehensiveness in the national accounts for the countries of the Western Balkans organized by the EUROSTAT and the OECD;
- Publication of the integrated set of economic accounts for the 1997 - 2003 period at the level of the whole economy and by institutional sectors;
- Commencement of calculations of value added at a quarterly level for the government sector and for the financial sector;
- Commencement of activities for calculation of the gross national product, GNP.

3.17.3 ECONOMIC POLICY

I. CURRENT SITUATION

According to the current projections, the real GDP growth in the Republic of Macedonia in 2005 was 3.8% while the inflation rate was 0.5%. These results are fully consistent with the initial projections at the beginning of the year, noting that the actual inflation rate is even lower than the one projected originally.

Contrary to the previous period, the major contributors to the GDP growth in 2005 were positive developments in the industry. Although initially the industry growth was projected between 5% and 5.5%, the actual growth of 7% shows that the growth in the industry sector is higher than the projected one. However, the growth is not concentrated in sole branch; 70% of the industrial

branches realized positive results in 2005, the highest growth being achieved in the food industry, basic metal industry, production of construction materials, textile industry, tobacco industry and the chemical industry.

Higher than projected growth rates are also present in other sectors of the economy, such as trade, transport and communications, tourism and the financial sector. Negative growth rate was registered only in the construction as a result of the delay in few bigger infrastructure projects.

With regard to inflation, the deflation zone was over passed in 2005. In the period January – December 2005 the average inflation rate was 0.5%. Besides the continuing decrease of prices in food and agricultural products, the major reason for missing the projected inflation is the absence of the expected price increase in the energy sector initially projected for the second quarter of the year 2005. The industrial growth in 2005 led by the increase in the external demand was reflected in the increase of the export by 22% and import by 10%. Higher export growth rates were concentrated in the steel industry, the food sector, production of beverage and tobacco and mineral fuels. These developments contributed to a decrease in the trade deficit by 2% compared to 2004 reaching 18,8% of GDP in 2005.

With regard to the fiscal policy, better collection of the public revenues along with the prudent expenditures policy in 2005, led to general government surplus of 0,3% of GDP, instead of the initially projected deficit of 0,8%. Public debt of the general government at the end of 2005 was 41,9% of GDP including the amount of 150 Euro from the first Euro-bond issue from the Republic of Macedonia. Those revenues were used for repayment of the Macedonian debt to London club of creditors. Implementation of a prudent fiscal policy created conditions for higher elasticity of the monetary policy that resulted in a decrease of the Central bank bills interest rate (as a referent interest rates of the economy) from 10% at the beginning of the year to 8% at the end of 2005, as well as in the credit to private sector growth of around 25% on annual level. Declining interest rates trend continues.

As a result of the lower trade balance deficit and balance of services, as well as the unexpected high level of transfers (mostly private), the current account deficit decreased significantly. Instead of the initially projected deficit of 6.5% of GDP, in 2005, the current account deficit was only 1,4%, which is a decrease of 6,3 percentage points on yearly basis (current account deficit in 2004 was 7,7% of GDP). The high export increase, high level of transfers, disciplined fiscal policy and the high coordination between the fiscal and monetary policy have contributed to a significant growth of the gross-foreign exchange reserves in 2005. At the end of 2005, the foreign exchange reserves were 1.122,9 million Euros. When compared with the end of 2004, there is an increase of 406 million Euros. With this significant increase, the targeted level of foreign exchange reserves, set in the arrangement with IMF, was outpaced by 150 million of Euros.

Finally, positive movements have occurred within the labor market where the number of new employments in the period January-December 2005 increased by 30% compared to 2004 as a result of the real growth in most sectors of the economy. At the same time, the number of registered unemployment exhibits a continuous downward trend. There were 359,989 unemployed persons in December 2005 which is a 9% decrease on a yearly basis.

II. SHORT-TERM PRIORITIES

The main objectives of the economic policy will be maintenance of macroeconomic stability, acceleration of growth and achievement of sustainability, as well as reduction in unemployment and poverty.

The growth of the economy achieved in the previous years is expected to continue also in the period 2006-2008 by achieving an average growth rate of GDP of around 4.3%. Because of the high share in the structure of GDP, the main driving force behind the economic growth will be industrial production, while growth is expected also in the other economic sectors, primarily in the trade, construction, transport and communication, as well in the financial services sector.

The price stability, expressed through an average annual inflation ranging between around 2 and 2.5% by end 2008, will continue to be one of the main components of the macroeconomic environment in this period. Monetary policy will act in the same direction, by continuing in the implementation of the strategy of targeting the nominal exchange rate of the Denar against the Euro.

The improvement in the overall economic environment, i.e. achievement of more dynamic economic growth rates will contribute to increase of employment by around 2% annually, with a simultaneous reduction in the rate of unemployment. Therefore, reforms will be needed on the labour market as one of the key components in the process of improving the investment climate in the country. The reforms will encompass simplification and reduction of the bureaucratic procedures, regulations and administration, promotion of flexible and various forms of employment contracts and working engagements, as well as improvement in the access to training and retraining of the employees.

In this period, the reforms will be focused mainly on the activities aimed at improving the investment and business environment in the economy, high liberalisation and flexibility of the labour market, significant improvement in the efficiency of the judicial system,

extensive reform of the public health sector that traditionally absorbs huge portion of the public consumption, as well as continuation of the reforms in the public sector management, public administration and financial sector.

III. MEDIUM-TERM PRIORITIES

Medium-term objectives of the public debt management are:

- Reduction of the volume of public debt to GDP;
- Gradual increase in debt with fixed interest rates;
- Increasing the share of debt denominated in Denars,
- Increasing the share of euro-denominated debt in the structure of the foreign currency denominated debt;
- Increasing the share of domestic debt while decreasing external borrowing
- Increasing the share of the market instruments, while gradually decreasing the loans from official creditors;
- Extending maturity of public debt,
- Ensuring smooth profile of repayments;
- Taking advantage of the early repayment of public debt where cost effective to do so ;

Long-term objectives of the public debt management are:

- Continuous reduction of the size of public debt to GDP and improvement of its structure;
- Reducing the minimum costs for public debt servicing;
- Achievement of a sustainable level of risks to which debt portfolio is exposed;
- Development and maintenance of the government securities market.

IV. INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total
09001	Ministry of Finance –Public Debt Management Department	0	3	0	0	0	3
09001 Total		0	3	0	0	0	3
Total		0	3	0	0	0	3

V. FOREIGN ASSISTANCE

During the past period, the Public Debt Management Department has used technical assistance from the CARDS project on "Technical Assistance for Institutional Capacity Building of the Ministry of Finance in the Debt Management Function" provided by two consultants in individual areas, i.e. debt management and information technology, during their occasional visits, in the period from July 2005 to July 2006. The Department has also received assistance from GTZ, USAID (World Learning) and FSVC as donors, in the form of one working visit, three training programs and one two-month course.

3.18 STATISTICS

I. LEGAL FRAMEWORK

The State Statistical Office is an independent specialized institution and its competence and scope of operation is regulated by the Law on Organisation and Operation of State Administrative Bodies (Official Gazette of the Republic of Macedonia, No. 58/00) and the Law on State Statistics (Official Gazette of the Republic of Macedonia, No. 54/97).

The basic legal act regulating the area of state statistics is the Law on State Statistics adopted in 1997 (Official Gazette of the Republic of Macedonia, No. 54/97). The Law lays down the basis for building a statistical system of the country with the following basic goals:

- provision of statistical indicators at national level;
- harmonization with international statistical standards, classifications and other, and through its implementation provide comparative data with the other countries;
- quality statistical data based on new methodologies to follow and support our country towards EU membership;
- Meeting the international obligations of the Republic of Macedonia.
- Preparation of comparative data with the other countries on scientific bases that are in function of the support to the transition towards market economy.

The Statistical Research Programme is the most important piece of secondary legislation passed by the Government of the Republic of Macedonia and has been published in the Official Gazette of the Republic of Macedonia No. 69/03. The Programme contains all statistical research undertaken by the State Statistical Office and the authorized statistics carriers for the period 2003-2007. The most important users of statistical data were also included in the preparation of the Program. Its implementation represents the primary activity of the State Statistical Office.

SHORT-TERM PRIORITIES

Amendments to the Law on State Statistics are underway. It is planned for the Law to be adopted by the Government of the Republic of Macedonia by the end of February 2006, and the Assembly of the Republic of Macedonia to adopt it by March 2006 at the latest.

With the amendments to the Law on State Statistics it is planned to change and strengthen certain provisions of the existing Law. These provisions refer to:

- the relation between the Law on State Statistics and the Law on Personal Data Protection;
- the role of the State Statistical Office as the leader and coordinator of the statistical system in the country;
- the status of the State Statistical Office Director;
- the Statistical Council (appointment of members and composition);
- the procedure for adoption and implementation of statistical standards;
- Introduction of a segment related to statistical registers.

The need to amend the existing Law is based also on the need to adjust it to the following EU measures:

Commission Regulation 32001R0045 on individual data protection regarding personal data processing

Commission Regulation 32002R0831 on implementation of Council Regulation No. 322/97 on access to confidential data for scientific purposes

The Programme on Statistical Research 2008-2012 is planned to be adopted in 2007.

MEDIUM-TERM PRIORITIES

Law on census of the population, households and dwellings, 2011

II. Statistics

3.18.1 DEMOGRAPHIC-SOCIAL STATISTICS

CURRENT SITUATION

The *vital statistics* data have been aligned with the international recommendations. Starting from 2005 only data on events that have happened within the Republic of Macedonia shall be published.

In view of the need to elaborate a population projection for the period 2005-2055 by regions (NUTS 3) an analysis of data on fertility, mortality and migration is under way with the aim to set the hypothesis for the future movement of the components.

Migration Statistics in Macedonia is kept on the basis of data collected by the Ministry of Interior. In the regular statistical research the scope of persons going abroad for a period longer than three months is not complete.

Education Statistics provide the complete data for the UOE questionnaire (UNESCO, OECD, EUROSTAT).

The State Statistical Office is the responsible institution for the processing of *mortality data* by causes of death. The encoding of the causes of death is done by the Institute for Epidemiology. The data are published according to ICD- IX, whereas the implementation of ICD- X is planned together with the Institute.

Within the *survey on social protection*, the State Statistical Office covers the following categories of beneficiaries:

- *Households*, social welfare beneficiaries;
- *Children (under aged and of legal age)* accommodated in: Infant and Children's Homes, institutions for care of children and youth with impediments in their psychological and physical development ;
- *Pupils and students* in boarding schools;
- *Elderly persons* accommodated in institutions for housing and care of adults;
- *Disabled people*, but only those employed in institutions for professional rehabilitation.

The pension beneficiaries are not covered by the statistical surveys conducted by the State Statistical Office. The responsible institution is the Pension and Disability Insurance Fund. There are data available for: children as child allowance costs, beneficiaries of special contributions and for first baby package beneficiaries.

Labour Force Survey in the Republic of Macedonia has been conducted since 1996 on annual basis, and since 2004 it is conducted throughout the year. The data are processed and published quarterly and annually. The Labour Force Survey is conducted in accordance with the methodological recommendations of the International Labour Organisation (ILO) and the recommendations of the European Statistical Bureau (EUROSTAT).

Labour Cost Survey is conducted in accordance with the European Commission Regulations. The international recommendations and regulations are continuously followed. The cooperation with other institutions, the scope and comparability with other institutions is of special importance.

The Time Use Survey was conducted in our country for the first time in September 2004. It is harmonized with the recommendations of EUROSTAT and shall be conducted every five years.

Work Related Injury Survey was conducted for the first time in 2005 in cooperation with the Republic Institute for Health Protection and the Institute for Labour Medicine. The material is currently being processed.

The Household Budget Survey is the main source for the calculation of the basic poverty indicators following the principle of 70% medial equivalent consumption of an equivalent adult.

The State Statistical Office conducts *research on science and technologies* in accordance with the recommendations of EUROSTAT.

The first *INOV pilot-survey* was conducted in 2001, but due to the very low response level, the data were not published.

Currently an innovation survey is being conducted according to the methodological instructions of EUROSTAT (CIS 4-Communities innovation surveys 4).

SHORT-TERM PRIORITIES

- Intensifying the cooperation with the Ministry of Education to provide data on sources of financing in education.
- Implementation of the International Classification of diseases and related health problems (10 Revision).
- Introduction of a new research to cover enrolled students in postgraduate studies and persons in Ph. D. studies.
- Provision of quarterly data on labour force status at regional level (NUTS 3);
- Design of the sample at the level of (NUTS 3);
- Redesign of the questionnaires – instruments for conducting the Labour Force Survey;
- Calculation of labour cost index.

MEDIUM-TERM PRIORITIES

- Preparation of a Methodology for the census of the population and the households (2011), in accordance with the Recommendations for census of population and households around 2010;

- Study of the ESSPROS methodology;
- Introduction of new indicators in accordance with the ESSPROS methodology;
- Establishment of an inter-departmental working group among: State Statistical Office, Ministry of Health, Health Insurance Fund, Ministry of Labour and Social Policy, Employment Agency and Pension and Disability Insurance Fund, that shall work on establishing the necessary indicators.
- Establishment of a permanent network of interviewers and use of personal transferable computers for field work.
- Conducting a survey on public and private sector salaries in 2007 and publishing the results.
- Calculation of poverty line according to income,
- Calculation of the Laeken indicators,
- Calculation of the absolute poverty line according to the "cost of the basic needs" concept.

3.18.2 ENVIRONMENT STATISTICS

CURRENT SITUATION

The State Statistical Office conducts research in the area of waste and only of communal waste every two years.

The State Statistical Office also produces data on recycled industrial waste on a monthly and annual basis, as well as export and import of waste by types, quantities and value.

Statistical data on development and production of gas emission indicators with greenhouse effect (greenhouse gasses) and other air pollutants are obtained with the elaboration of the First National Report on Climate Changes. The report contains an inventory of greenhouse gasses in accordance with the methodology of international panel of climatic changes (IPCC) and covers the three basic greenhouse gasses, carbon dioxide (CO₂), methane (CH₄) and nitrogen oxide (H₂O). The period analyzed is 1990-1998, where 1994 is taken as a base year. The data are collected and processed in MEPP - Office for climate changes, and shall be given in 2005 in the Statistical Yearbook.

In the State Statistical Office annual surveys are conducted at the level of settlements on total waste waters, waste and treated waste waters from settlements with public sewerage, waste water discharge, waste water discharge in river basin areas, sewerage network, devices for mechanical waste water treatment, chemical waste water treatment, biological waste water treatment, abstraction and removal of waste canal water and water resource utilization by purpose and quantities.

The State Statistical Office has data on investments made in environmental protection through regular annual statistical research on investments. These data refer to actual investments/current costs for environmental protection, in total and by separate segments like: waste, water, noise, air, soil and water and flora and fauna.

SHORT-TERM PRIORITIES

- Communal waste research is planned to be annual, from 2007 onwards.
- Introduction and disclosure of data in the area of air and quantities of emissions at the level of the Republic of Macedonia in the Statistical Yearbook of the Republic of Macedonia.
- Elaboration of a Cadastre of pollutants and air polluting substances on the level of Republic of Macedonia.

3.18.3 MACROECONOMIC STATISTICS

CURRENT SITUATION

Quarterly calculations of the *Gross Domestic Product with a quarterly dynamics* are carried since 2000, only according to production method, by fixed prices, where the base year is every preceding year. A Series from 1997 to date is now available. The calculations are based on the single indicators (monthly, quarterly short term indicators, quarterly research on non-financial business entities produced by the State Statistical Office), using at the same time comparative data from other sources (Public Revenue Office). The volume indicators are calculated on the basis of quantitative data using adequate weights. The adjustment of the quarterly with the GDP data on fixed prices at an annual level is done by the pro-rata method. Only General Government consumption, investments in machinery and equipment, export and import of goods and services are calculated according to the expenditure method, at current prices.

The methodological recommendations in ESA 95 and SNA 93, the EUROSTAT Manual on quarterly national accounts, the IMF Manual on quarterly national accounts and the EUROSTAT Manual on price and volume measures are used in the calculations.

Currently a revision of the calculations is performed following, besides the recommendations of the abovementioned manuals, also the recommendations of the IMF technical mission. Currently the following activities are being conducted:

- improvement of quarterly calculations by doing calculations at the most detailed level at fixed prices and calculations and preparations for publishing of data on quarterly level at current prices;
- Abandoning the pro-rata method and using the DENTON method;
- Improvement of indicators for the assessment of the extrapolation of data on the basis of a sample obtained from the quarterly research on value added and investments in fixed assets for non-financial enterprises, and input of data in case of non-response.

For the period 1994-1996 an *integrated set of economic accounts on total economy and institutional sectors* is prepared and published. The methodological recommendations of SNA 93 and ESA 95 were used in the elaboration. The integrated set of economic accounts for the period 1997-2003 is being prepared.

The State Statistical Office started in 2005 the compilation of *preliminary supply/use tables* for the year 2000. They have been prepared for publication. The available qualitative and quantitative data obtained through statistical research on trade companies, the Household Budget Survey and other available data in the State Statistical Office are being researched and analyzed with the aim of improving the S/U tables. The data in the S/U tables are presented and classified by activities, according to NACE rev. 1, and by products according to CPA 1996.

The methodological recommendations of "Eurostat Input/Output Manual, United Nations Handbook of Input/Output Tables Compilations and Analysis and publications of statistical offices of other countries are being used. The current problems relate to the lack of complete data on economic accounts and balances by products and the non-existence of adequate software for the calculations.

Analysis of the available data in the State Statistical Office and examination of possible additional sources of data for the calculations of *the value added at regional level* according to the NUTS classification in accordance with the methodological recommendations are being carried out.

In cooperation with the OECD, in 1996 the Republic of Macedonia was included in the pilot project *European Comparison Programme*. The activities in the European Comparison Programme 2005 are currently being implemented, and the market prices of products and services of previously formed and adjusted lists of products and services are being recorded.

The Republic of Macedonia participated for the first time in 1999-2000 in the pilot project of Eurostat "GDP Exhaustion."

Currently, within the calculations of the gross domestic product the *non - observed economy is being measured* and included in the calculations in order to achieve an overall coverage of the national accounts.

Corrections to achieve overall coverage of the GDP are done on the basis of the analyses of several data sources, and they are included in the calculations of the GDP of 1997 and are published in the regular annual publications regarding the Gross Domestic Product in the Republic of Macedonia.

SHORT-TERM PRIORITIES

- To obtain and use data through surveys on value added calculation at quarterly level at current prices for the Sector of Financial Enterprises and the State Sector.
- Full implementation of the methodology for calculation of the quarterly GDP according to the expenditure method (at current and at fixed prices).
- Compilation of economic accounts by institutional sectors and preparation of an integrated set of economic accounts.
- Establishment of S/U tables and mastering the techniques for estimation of missing data for the balancing of the data.
- Establishment of data bases for the calculation of the value added at regional level (NUTS 3).
- Continuing activities within the PPP (Purchasing Power Parity) project, in accordance with the directions given by the OECD, within the EUROSTAT- as well as Coordinated central group of the ECP;
- Finalization of activities related to the project for the calculations of the gross domestic product "Achieving Exhaustiveness of the National Accounts for the Western Balkans Countries" and implementation of further recommendations that would derive from the project.

MEDIUM-TERM PRIORITIES

- Improvement of nominal indicators for the calculation of the GDP at a quarterly level for the rest of the institutional sectors;
- Start with preliminary value added calculations at regional level (NUTS 3 level)

3.18.3.1 PRICES

Retail Prices

CURRENT SITUATION

Retail prices are expressed through retail price index and cost of living. The activities for approximation to the EU standards for calculation of the Harmonized Index of Consumer Prices –HICP have been started. In this sense the consumer price index is regularly calculated according to the COICOP classification.

SHORT-TERM PRIORITIES

- Introduction and enlargement of the list of new products according to the relevant EU regulations related with the calculation of the HICP.

MEDIUM-TERM PRIORITIES

- Establishment of a methodology for the calculation of HICP;

3.18.3.2 STATISTICS FOR BUSINESS CYCLE ANALYSIS

CURRENT SITUATION

The State Statistical Office collects processes and publishes the *short term statistical data* in accordance with the Council Regulation on short term statistics 1165/98 and covers the main indicators like the production volume index in industry, producer price indices, construction, distributive trade and services.

In the segment for *industry* monthly surveys are conducted on production volume indices and producer price indices. The main source of data are the business entities in the area of mining, manufacturing industry and electricity, gas and water supply and business units of enterprises engaged in other areas but have industrial activity.

In the segment of *civil engineering* monthly and quarterly researches are conducted for short-term indicators in civil engineering. The distribution of construction buildings and construction works is done according to the Nomenclature of construction of buildings and construction works, implemented in 1999 and harmonized with the Classification of types of constructions.

In the segment of *catering* monthly research are conducted for hotels and other accommodation facilities and quarterly research for catering units. In the segment of internal trade monthly and quarterly survey is conducted for short-term indicators in the distributive retail and whole sale trade. A census of retail trade selling capacities was conducted in 2003.

SHORT-TERM PRIORITIES

- Introduction of a statistical survey for building permits;

MEDIUM-TERM PRIORITIES

- Calculation of indexes for production of finished products in the industry;
- Establishment of research to follow prices of construction costs, by construction items.

3.18.4 BUSINESS STATISTICS

CURRENT SITUATION

Statistical research for *structural statistics* according to the Council Regulation on structural statistics 31997R0058 has not been conducted yet in the State Statistical Office. The data on certain variables are collected with the existing annual survey. Structural statistics are covered to the largest extent in industry and transport, whereas in distributive trade, construction and HORECA data are not collected according to the regulation on structural statistics.

An analysis of the current situation and possibilities to conduct research next year is currently being conducted. Preparations are under way.

Structural statistics of energy cover the total energy balances of the Republic of Macedonia and the energy balances of the by types of energents, at an annual level.

Energy balances, according to the recommendations of EUROSTAT (as part of the pilot project of EUROSTAT "Harmonization of Energy Statistics- phase 3") have been prepared in the State Statistical Office for 1998 and then regularly on annual level. The methodology "Energy Statistics Methodology" EUROSTAT F4, 1998 is used in the calculation of energy balances.

Historical data for the period 1990-1997 are currently being prepared in the form of annual energy balances and the plan is to finalize it by the end of 2006.

The short-term energy statistics cover data by type of energents contained in the energy balances on monthly level. The State Statistical Office prepares the monthly energy data and they are in being done for the start year 2003. The methodology used in the annual energy balances is used for the monthly calculations.

Publication of monthly energy data for 2003-2005 is planned to be finalized by the end of 2006.

The survey on *prices of energents* is not conducted in the State Statistical Office, and the methodology has to be developed and conducted in the course of 2007 on a quarterly and semi-annual level.

The survey of *road transport* of goods is conducted by the State Statistical Office on a quarterly basis. The methodology and forms are harmonized with the existing EU regulations.

The NCT classification is applied in the research: Standard classification of goods aimed for transport statistics (EUROSTAT).

The State Statistical Office conducts the research in the area of railway transport on a monthly and annual level. The research is fully in compliance with the European regulations and the results are annually sent to EUROSTAT. The NCT classification: Standard classification of goods aimed for transport statistics (EUROSTAT) is fully implemented in the research and with it the international comparability of data is provided.

The State Statistical Office conducts 5 research exercises for *air transport* on monthly and on annual level. They fully meet the requirements for data prescribed in the instructions of EUROSTAT (Manual of the ICAO Statistics Program, 1994). The new research is fully in compliance with the relevant EU regulation.

The State Statistical Office does not conduct statistical research for inter modal freight transport due to the low occurrence of such transport. The State Statistical Office does not conduct research for transport safety.

The State Statistical Office does not conduct statistical research for passenger mobility even though it does have a certain set of data sourced from other research.

The State Statistical Office conducts research for *telecommunication and postal traffic*. The methodological instructions and forms are prepared in accordance with the EU regulations. The research is conducted on a monthly and annual basis. These research exercises cover the mobile telephone communication.

In 2004 the State Statistical office conducted the pilot – *survey for information society in the Republic of Macedonia*. Four research exercises were conducted on the ICT utilization by enterprises, financial institutions, households and individuals and public institutions. Four separate questionnaires were prepared for each entity separately with methodological explanations, according to the models of questionnaires of EUROSTAT: "EUROSTAT model questionnaire for Community research of the use of ICT in enterprises from NACE sector J, 2005, version 6 and "EUROSTAT model questionnaire for research of Community for use of ICT in households and individuals, 2004", version 10.

The results were published and used in the preparation of the National Strategy for Information Society.

Within the *tourism statistics*, the State Statistical Office conducts statistical research adjusted to the methodological recommendations in compliance with the Council Directive on statistics in tourism (1995L0057).

The monthly research on tourists and overnight stays covers all business entities that have in their composition facilities for accommodation of guests/tourists.

The Survey on Foreign Tourists, with a triennial dynamic, on a sample basis, covers the foreign tourists in accommodation facilities. The Survey of foreign guests- triennial, also sample based, covers foreign visitors at border crossings.

The target groups of the five-year survey on travels of domestic population are the households, with all of the members in the household concerned.

The census of accommodation facilities *in catering* with a five-year dynamic covers all business entities that have in their composition facilities for accommodation of guests-tourists. The census of catering facilities was conducted in 2003. The results of the Census were used to improve the coverage of accommodation facilities in 2004.

SHORT-TERM PRIORITIES

- Preparation of historical annual energy balances for the period 1990-2004 by the end of 2006.
- Preparation of monthly energy balances for the period 2003-2005 by the end of 2006.
- Conducting experimental research on prices of energents in the course of 2007;
- Conducting experimental research on structural statistics for industry and transport in 2006 and distributive trade in 2007;
- Revision of NCT in 2006 after the revision conducted in the EU.
- Analysis of the quality of data in road freight transport
- Adjustment of types and categories of accommodation facilities according to the directives and the national legislation in cooperation with the Ministry of Economy - Sector for Tourism.
- Annual survey on the use of ICT with a reference period of January - March 2006 shall be conducted in 2006 and thus be included in the regular statistical research.

MEDIUM-TERM PRIORITIES

- Introduction of variables for the calculation of net-utilization of facilities in catering;
- Conducting statistical research for structural statistics in civil engineering and catering in 2008.

3.18.5 AGRICULTURAL STATISTICS

CURRENT SITUATION

The State Statistical Office collects data on land utilization within the statistical research on plant production and they are based on data taken from the Cadastre and reports from external associates, i.e. appraisers.

The State Statistical Office does not conduct research on land utilization by satellite shots.

The structure of the agriculture is mainly followed through data provided from the Census of the population, households, dwellings and agricultural economies, conducted in 1994. Apart from that, part of the data (labour force and number of cattle), are available also from the Census of the population, households and dwellings conducted in 2002.

The statistical research provides data on the plant production, meaning data on sowed land in the autumn and spring sowing season, harvested areas and yields from early and late sown fields; cattle production covering data on the number of cattle by categories, slaughtered cattle and production of cattle products (meat, milk, eggs, honey).

The State Statistical Office is making the final preparations for the conduct of the Agricultural Census that shall 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.

In order to fully harmonise the procedure for the calculation of the *economic accounts in agriculture* in accordance with the recommendations of EUROSTAT, the audit of current accounts and their improvement started in 2003. The Manual for economic accounts for agriculture, EAA 1997 (audit 1.1) issued by EUROSTAT is used for the calculation of the economic accounts for agriculture.

During the calculations, certain adjustments of the specific agricultural characteristics in the Republic of Macedonia were made. Larger methodological adjustments were made in this sense in the calculation of output data, whereas the input (inter-phase consumption) is partially adjusted having in mind the lack of data necessary for its calculation.

Data taken from several statistical surveys conducted by the State Statistical Office are used in the preparation of the economic accounts.

The economic accounts in agriculture by current prices for the period of 1998-2003 were published for the first time in 2005.

In 2002 the State Statistical Office started a process of the harmonization of the methodology for calculation of *agricultural price indices* adjusted to the methodology applied by the EU member states. Experimental calculation of price indexes according to the European methodology for agricultural prices 2000=100 is being conducted since January 2004. on a monthly basis.

The data on prices at a product level are collected on the basis of the Nomenclature of agricultural products and agricultural services prepared on the basis of the Classification of products by activities (CPA), adjusted to the national requirements. During 2005 the output and input price indexes in agriculture were calculated and published.

The State Statistical Office conducts annual *surveys on sown fields in the spring and autumn sowing season and the achieved production from early and late sown areas and fruit*.

The surveys fully cover the business entities through reports filled in by the enterprises on the basis of their accounting records.

Data for individual agricultural economies (family farms) are collected through a method for the assessment of the land and the production.

Data on land, total production and production by hectare, by sown fields, by municipalities and by products are collected six times during the year.

The data on grape and wine production are collected three times a year, by municipalities and by products. The data on fruit production are collected 5 times during the year, by municipalities and by products.

The number and weight of the cattle, the slaughtering, as well as the cattle production (meat, milk, eggs, wool and honey) are determined through a Survey questionnaire on the number of cattle in the individual agricultural households and statistical surveys on business entities (Annual survey on cattle for legal entities and for segments of legal entities, Quarterly survey on slaughtered cattle and Monthly surveys on sales and buy-out of agricultural products).

The data are processed according to the National Nomenclature of agricultural products and services linked to the National Classification of activities, area A covering agriculture, hunting and forestry.

The State Statistical Office conducts annual research on the number of cattle in individual agricultural economies, based on a sample (sample survey), through the method of interviews with the head of the household. The interview is performed by outside persons - interviewers. For the legal entities and units within them, an annual survey for cattle breeding is conducted. The monitored variables at annual level are the total number and weight of horses, cattle, pigs, sheep, goats, poultry and bee families.

The State Statistical Office does not compile a Balance Sheet on the Meat Supply. The Ministry of Economy, on the basis of data from the statistical research, prepares for its own use balances for different types of meat, but they are not published.

The State Statistical Office monitors on a monthly basis the production, sales and stocks of *forest assortments* in the state owned forests, whereas the changes in the land surface covered by forests, the a forestation, lumbering, machines and traffic facilities in forests and hunting are followed annually.

All data on production in state forests are obtained on the basis of the bookkeeping records of the branch offices - FE of the PE for Forest Management "Makedonski sumi" and the national parks that are legally responsible for the management and protection of the forests.

The data on private forests are obtained by assessment made by the branch offices – FE of the PE for Forest Management "Makedonski sumi". The definitions and the statistical research are adjusted and revised according to the valid EU regulation.

The data on *fisheries statistics* are followed only for freshwater fishery through annual research. The annual report on freshwater fishery is conducted for legal and physical entities engaged in fishing in open freshwater sources (rivers, lakes, canals, accumulations and the like), or legal and physical entities registered for production of freshwater fish and other freshwater organisms. The balance on fish covers the following categories: initial situation, production and fishing of freshwater fish for consumption and buy-out of young fish stock. There is no significant fishing fleet in the Republic of Macedonia, thus data on vessels and equipment are collected from commercial fishery enterprises and co-operatives.

In the Republic of Macedonia there is no production of aquacultures.

Data on social-economic activities for the sector of Fishery are collected and processed from several regular research and surveys conducted by the State Statistical Office.

SHORT-TERM PRIORITIES

- Starting the calculations of economic accounts in agriculture at fixed prices and calculations for the first and second assessment of the economic accounts in agriculture at current prices.
- Calculation of annual indices of input and output prices in agriculture.
- Harmonisation of statistics in forestry with the methodology of EUROSTAT and with EFICS (European Forestry Information and Communication System);
- Definition of indicators for following sustainable development of fishery.

MEDIUM-TERM PRIORITIES

- Provision of data on the structure of the agriculture by conducting the Agricultural Census in October 2006;
- Establishment of farm register based on the data collected from the Census;
- Preparation of the first structural research of the farms and its conduction in 2009.
- Changes in the data collection method on the basis of data taken from the Farm Register and start of the implementation of methods for evaluation and verification of data.
- Application of new technologies and methods for control of the quality of data obtained in forestry.

3.18.6 MONETARY, FINANCIAL, TRADE STATISTICS AND STATISTICS OF BALANCE OF PAYMENTS

CURRENT SITUATION

The basic principles, standards and procedures for conducting the statistical *research of trade of goods abroad* are based on the recommendations of the United Nations on the Concepts and definitions of the statistics of foreign trade, this being the basis also of the methodology for foreign trade of EUROSTAT. The following classifications and nomenclatures are applied in the statistics of foreign trade:

- Customs tariff nomenclature based on the Combined Nomenclature;
- Standard international trade classification SITC, rev. 3;
- Classification of activities (NACE);
- Classification of countries ISO – 3166 alpha= 2 code;
- Classification of goods according to their economic application;
- Classification of products according to the level of processing;
- BEC classification of wider economic categories.

The State Statistical Office conducts research for the calculation of import-export indexes of unit value and volume of the imported and exported goods. The data are published annually, but in the annual releases the following are presented: monthly data on the indices at the level of sectors and sections from the Standard International Trade Classification, rev. 3 and quarterly data at the level of sectors from the Standard International Trade Classification, rev. 3.

The National Bank of the Republic of Macedonia is the only official institution competent for the collection, processing and publishing data on *monetary statistics*. The monetary statistics are prepared in accordance with the Balance of Payments, Manual – fifth edition, IMF. (Balance of Payments, Manual – fifth edition, IMF). The data are prepared on a monthly basis and published 75 days after the end of the reporting month. The compliance with the international standards and codes for the preparation of the balance of payments was subject to assessment by the ROSC mission of the IMF in 2004, and the report was published on the web-page of the IMF. The evaluation in the area of balance of payments statistics is positive, meaning that the preparation of the balance of payments is to a large extent in compliance with the international standards.

The National Bank of the Republic of Macedonia is the only official institution competent for the collection, processing and publishing data on *monetary statistics*. The monetary statistic is prepared in accordance with the Monetary and Financial Statistics Manual of the IMF. The last ROSC mission positively assessed the compliance of the monetary statistics with the recommendations in the IMF Manual. For the purposes of the monetary statistics data are collected from banks and savings houses with a monthly dynamic (they are published one month after the end of the month). On the basis of these data a review is prepared on deposit banks, a review of the National Bank of the Republic of Macedonia and a consolidated monetary review. Besides the reviews, the National Bank of the Republic of Macedonia prepares certain financial indicators (interest rates of banks, interest rates on the money market, data for state records and similar).

SHORT-TERM PRIORITIES

- Calculation of import-export unit value indices with variable basis
- The State Statistical Office and the National Bank of the Republic of Macedonia shall identify, through cooperation, the components of the balance of payments at the level of detail/deaggregation necessary for the national accounts system.

MEDIUM-TERM PRIORITIES

- The National Bank of the Republic of Macedonia shall work on providing adequate level of deaggregation by countries and sectors, as well as on further improvement of the quality of data, applied methodology and data sources.

3.18.7 REGISTERS

CURRENT SITUATION

In the State Statistical Office two administrative registers are established by law: Unique Population Register and Register of Territorial Units. Besides these registers, the State Statistical Office is responsible for the organizational-technical and methodological processing of data from the Electoral Roll.

The Statistical Business Register (SBR) is part of the system of registers in the State Statistical Office.

The Unit for Statistical Business Register uses the Administrative Business Register and the Data Warehouse as a data source for the preparation of address books for statistical purposes.

The State Statistical Office keeps a **Unique Register of Territorial Units** with the basic territorial units: municipality, settlement, cadastre municipality and statistical circle. Census circles, as the smallest unit from which data are collected are formed for the needs of the censuses. The excerpts from the Register are used to conduct censuses, surveys, pilot-projects and statistical researches. The Register is regularly updated in accordance with the changes occurring in the state. A systemic list of municipalities and settlements and a list of states in accordance with ISO 3166 adopted as national standard are occasionally published.

The *Statistical Population Register (SPR)* is part of the system of statistical registers in the State Statistical Office.

An application is currently being prepared, directly linked with correct and full implementation on methodological bases.

Undergoing are activities linked to the initial input of data obtained from records of the Ministry of Interior, the census material and from statistical research in the area of demographic statistics.

SHORT-TERM PRIORITIES

- Start of activities to relieve the State Statistical Office from administrative functions and ensuring full dedication to its basic activity;
- Conduct of the Business Census that shall determine the status of the activity and basic activity of the business entities and attached units.
- Definition and development of the methodological bases and functionality of the SBR.
- To follow the changes in the list of states in ISO 3166 and implementation of the changes of units in the Territorial Register;
- Follow the changes in the national legislation and the EU regulations in the Nomenclature of territorial units for statistics – NUTS;
- Initiating activities with relevant state institutions in order to establish a spatial data infrastructure;
- Implementation the Law on naming streets and other infrastructural facilities by the local self-government for statistical purposes;
- Development of methodological bases and functionality of the SPR, harmonised with the European standards and recommendations;
- Defining and developing a concept for examination of the quality of the data in the SPR.

MEDIUM-TERM PRIORITIES

- Preparation of census cartography by using the available new technology, consistent to the preparations for the next Census of the population in 2010.

3.18.8 CLASSIFICATIONS

CURRENT SITUATION

The State Statistical Office applies the *National Classification of Activities*- NCA since 1998 and it is adjusted to the Classification of Economic Activities in the European Community NACE rev.1. The classification is used to collect, analyze, publish and disseminate the data in the statistical system of the Republic of Macedonia.

In 2006 the National Classification of Activities was adopted, NCA rev 1, adjusted to the NACE rev. 1.1.

In 2001 the Government of the Republic of Macedonia adopted the *Nomenclature of Territorial Units for Statistics (NUTS)*. According to it, at NUTS 1 level and NUTS 2 level the territory of the Republic of Macedonia is one unit, at NUTS 3 level it has 8 units – statistical regions, at NUTS 4 level it has 34 units – groups of municipalities and at NUTS 5 level it has 123 units – municipalities.

Due to the new territorial organisation of the local self-government from 2004 (number of municipalities decreased from 123 to 84) and the EU Regulation 32003R1059, activities started for changes in the Nomenclature, adjusted to the new territorial organisation and the EU Regulation.

The State Statistical Office collects, processes and publishes data on produced goods in the industry on an annual basis in accordance with the National Nomenclature of Industrial Products that is harmonized with PRODCOM List 1998 - EU Regulation 31991R3924, starting from the year 2000. The research covers all industrial enterprises and their business units in the area of mining, processing industry and electricity, gas and water supply that represent 93.0% of the total number of workers in the industry and 81% of the value added.

The updating to the last version of PRODCOM List, version 2005, is planned for the end of the first quarter of 2006.

The State Statistical Office applies the CPA - Classification of Products by Activities, adopted by an EU Decision in October 1993 and amended in July 1998. It is used as a median classification of products (goods and services) that are distributed by activities of the National Classification of Activities. Separate classifications for the industry, agriculture, civil engineering and investments are prepared on the basis of this Classification.

The adjustment to the CPA 2002 is planned for the first quarter of 2006 when the CPA is planned to be adopted as a national standard.

According to the recommendations of the SHS and the ECC 95, the State Statistical Office adopted, in 2002, the Standard Classification of institutional sectors grouped by the type of production and their main activities and functions that are taken as indicators of their economic behaviour.

On September 2005, the Government adopted by a decision a *Classification of the Institutional Sectors*, fully compliant with the international methodological recommendations in accordance with ECA 95.

The preparation of the *Classification of the functions of the government* is currently underway. A working group was established, including members from the State Statistical Office, the National Bank of the Republic of Macedonia and the Ministry of Finance. The aim is to achieve adjustment in collection, processing, analysis and publication of the statistical data for the units and transactions of the government consumption in accordance with the functions of the government.

The National Classification of Occupations, NCO is prepared and adjusted to the International Classification of occupations ISCO-88. It is applied in statistical research of the State Statistical Office since 2002. The classification is used to collect, analyze, publish and disseminate the data.

SHORT-TERM PRIORITIES

- The Government should adopt, in the first half of 2006, the changes to the Nomenclature of Territorial Units for Statistics – NUTS.
- Adjustment of the classification of activities according to changes to follow in NACE rev 2.
- Preparation and adoption of the Classification for the purposes of the non-profit institutions serving households, harmonized with the international classification COPNI.
- Adoption of the Classification of the Functions of the Government harmonized with the international classification COFOG.

MEDIUM-TERM PRIORITIES

The implementation of the classification of activities is in accordance with the changes that follow in NACE rev 2.

III. Support for statistical outputs, technical infrastructure

CURRENT SITUATION

The IT infrastructure, application development tools and human resources are important aspects of the IT environment that has strong impact on capability to react to the continuously increasing demands of users and the obligations deriving from the international cooperation and the process of European integration. The current situation is critical, regarding all of the three aspects.

Regarding the *IT infrastructure*, every significant improvement of the infrastructure happened within some international project, thus leading to discontinuity that has negative impact on the work and realization of the set objectives. Presently, as most critical is considered the situation with the servers purchased in 1996 and the DBMS, which is obstacle to the development activities and it is necessary to upgrade it to more recent version.

The *application development* is affected, first of all, by the architecture of the statistical system. In the State Statistical Office the statistics are divided in areas, sub-areas and within them the statistical surveys that are usually developed independently from one another. This leads to the existence of several different solutions to the similar problems, redundancy in the data collection process, inconsistency in the definitions, presentation of data etc.

Human resources are the most critical aspect since they are not sufficient to cover the current working tasks and limiting factor for development work.

SHORT-TERM PRIORITIES

- Continuous upgrading of the IT infrastructure;
- Introduction of a process of continuous training in the area of software design, object oriented programming, modelling and data bases design , tools for development of applications (Visual Basic, SAS, Blaise), new technologies (XML, WEB oriented applications), maintenance of IT infrastructure;
- Establishment of common standards and methods in the organisation of the work that would impose an adequate documenting of the processes and which is crucial Quality Assurance.
- Redesign of the applications to support the statistical production by using unified tools:
 - For data input applications: Visual Basic and Blaise
 - For data deposits and output databases: SAS
 - For preparation of output tables and statistical analysis: SAS

Establishment of dissemination bases to satisfy the demand of the users for an on-line access to the statistical data

MEDIUM-TERM PRIORITIES

- Transfer to a process-oriented statistical system which requires a higher level of harmonisation and integration of the statistical data in databases and data warehouses, and most of all a good organised meta database. The metadata are important for the rationalisation of the overall statistical process and for the accessibility of the data and their correct interpretation.
- Establishment of a metadata driven statistical system.
- Creation of output database that, together with the adequate metadata shall enable the statisticians to have a direct access to data, without the intermediation of an IT person. This would release the IT persons from the routine work and the statisticians will have more possibilities for analytical working.

IV. INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total
22001	State statistical office	11	25	18	12	3	69
22001 Total		11	25	18	12	3	69
Total		11	25	18	12	3	69

V. FOREIGN ASSISTANCE

In the period 2006-2008 the State Statistical Office shall conduct activities financed through several projects: National CARDS Twinning Project (capacity building of the SSO, national accounts, business and social statistics, strengthening of the ICT capacity, practices in monitoring the quality, strategy for cooperation and communication) EUROSTAT Dissemination Grant Project; SIDA projects (agricultural statistics, gender statistics, environmental statistics, meta-data base, regional project for statistical methodologies); World Bank- cooperation in the area of measurement of poverty in the Republic of Macedonia, continuation of cooperation in the area of labour force; EUROSTAT/OECD pilot project for PPP - purchase power parities; EUROSTAT/OECD project for non observed economy.

3.19 SOCIAL POLICY AND EMPLOYMENT

CURRENT SITUATION

1. Labour Law

The new Law on Labour Relations is in force since August 2005 and lays down the novelties as regards the fixed-duration employment contract from 3 to maximum 4 years, more flexible bases for conclusion of employment contract on fixed-term work at home, recruitment of house-keepers, greater opportunities for conclusion of employment contracts on a part-time work. The Law on Temporary Employment Agencies is in a procedure of adoption and it will govern the issues and opportunities for temporary employment due to prevention of the grey economy and regulation of the employment and legal status of these persons.

As regards the collective redundancy, the new Law on Labour Relations lays down the competent institution, and that is the Employment Agency of the Republic of Macedonia which should be informed in writing on the collective dismissal of workers.

The provision of adequate protection of the employees in case of insolvency of their employer is regulated by the Law on Employment and Insurance in Case of Unemployment and the new Law on Bankruptcy which is in a procedure of adoption. These persons, pursuant to the Law on Employment and Insurance in Case of Unemployment, are entitled to the same rights that arise from the insurance in case of unemployment as the other workers that will be dismissed from work due to business reasons, i.e. are entitled to remuneration, health, pension and disability insurance.

The elderly workers that fall under this category, i.e. the workers that need up to 5 years of length of service to realize the right to pension, realize their rights under unemployment until their re-employment or retirement through and from the budget of the Employment Agency of the Republic of Macedonia.

The Law on Employment of Disabled Persons (Official Gazette of the Republic of Macedonia No. 44/00, 62/05) regulates the special requirements concerning the establishment of companies that recruit persons with disabilities and the benefits they are entitled to with such recruitment, as well as equalizing of the rights of the persons with disabilities, whether they work in disability undertakings or outside them. In September 2005, a Rulebook on the Criteria and Manner of Granting Funds from the Special Fund for Improvement of the Employment and Working Conditions of the disabled people has been adopted (Official Gazette of the Republic of Macedonia No. 85/05)

The labour legislation of the Republic of Macedonia also encompasses the Law on Keeping Labour Records (Official Gazette of the Republic of Macedonia No. 16/04) which regulates the establishment of records in the area of labour and manner of their maintenance.

2. Health and Safety at Work

The Law on Safety at Work (Official Gazette of the Republic of Macedonia No. 13/98, 33/00 and 29/02) lays down the measures for safety at work, obligations of the employer and the rights and obligations of the workers in the area of safety at work. The Law covers measures, means and methods providing safe working conditions. The safety at work is integral part of the organisation of the work and the working process and it is organised, regulated and provided by the employer. The Law on Safety at Work defines the employer as any domestic and foreign natural person and legal entity which employs personnel. This Law is applicable to all employers, unless it is otherwise defined by another Law. Since the Law on Safety at Work pertains to all types of activities, it does not in entirety cover all necessary measures for safety at work, and this resulted with adoption of 50 bylaws (specific rulebooks) that regulate the area of health and safety at work.

Among them, at the end of 2005 the Rulebook on Protective Measures for Work with display screen equipment has been adopted (Official Gazette of the Republic of Macedonia No. 115/05) and aligned with the Directive 31990L0270.

In the Republic of Macedonia, there is no fishing with vessels sailing at sea, and therefore the Directives 31993L0103 and 31992L0029 will not be subject for transposition in the national legislation.

3. Social Dialogue

The social dialogue in the Republic of Macedonia has been established and functions on a number of levels, such as on tripartite and bipartite level. The new Law on Labour Relations (Official Gazette of the Republic of Macedonia No. 62/05) constitute the basis for the establishment of the Economic and Social Council and lays down the competencies thereof.

In 2002, the Government of the Republic of Macedonia and the Federation of Trade Unions of Macedonia signed a Social agreement laying down the issues, priorities and requirements in the economic and social area.

4. Employment Policy and European Social Fund

The Employment Policy that is being implemented in the Republic of Macedonia is in direction of accomplishing the commenced process of reforms in this area. 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) incorporates the following:

- Regulation 32003R2257 on the organisation of a labour force sample survey in the Community to adapt the list of survey characteristics;
- Recommendation 32002H0178 concerning the guidelines for employment pursuant to the Employment Strategy and
- Council Resolution 32003G1029 on transforming undeclared work into regular Employment.

National Action Plan for Employment (NAPE) 2004-2005 was prepared with assistance of the CARDS Project in the area of employment. This document was prepared pursuant to the EU employment guidelines.

The preparations for the *European Social Fund* are in their initial phase. The Republic of Macedonia has commenced the establishment of a Decentralised Implementation System (DIS) of the assistance provided by the EU.

The coordination of the activities related to the realization of the fourth component of IPA on the human resources development (as a predecessor to ESF) shall fall under the competence of the Ministry of Labour and Social Policy with active participation of the Ministry of Education and Science, Ministry of Economy, Employment Agency of the Republic of Macedonia and other relevant institutions and partners on national and regional level that will be involved in the process of preparation and implementation of the programmes.

5. Social Inclusion

Following the experiences which arise from the Open Method of Coordination among the EU Member States, it may be stressed that the Republic of Macedonia has partially aligned with the general guidelines, recommendation and common objectives in the area of the social inclusion. The reduction of the risk from social exclusion is carried out through: a) provision of social rights and social services for the common social risks as defined in the Law on Social Protection (Official Gazette of the Republic of Macedonia No 65/04) – risks to the health, ageing, maternity and family, unemployment, professional non-adaptation and non-adaptation to the social environment; b) additional measures in the tax policy, employment, education, housing, family policy and health; and c) realization of plural social protection and implementation of the principals of decentralisation and deinstitutionalisation.

The Unit for protection and sheltering of socially excluded persons was established in the Sector for Social Protection within the Ministry of Labour and Social Policy. The introduction of the Register of associations of citizens in the area of social protection enables involvement of relevant NGOs in the programmes for tackling the social exclusion. As regards the partner relationship with NGOs and private institutions, MLSP established a Unit for public and private institutions.

The reduction of risks from social exclusion is realised through process of deinstitutionalisation. The following facilities are opened: (15) Day-care centres for children with intellectual disability, (2) Day-care centres for drug abusers, (5) Centres for victims of domestic violence, (1) Day-care centre for street children and (1) Reception centre for sheltering homeless persons.

6. Social Protection

The Macedonian legislation follows and implements the general objectives and recommendations of the European Union concerning the social protection. The Law on Social Protection (Official Gazette of the Republic of Macedonia No. 50/97, 16/00, 17/03 and 65/04) has introduced the opportunities for decentralisation, deinstitutionalisation and pluralism of the system for social protection.

The process of decentralisation, according to the Law on Local Self-government, the Law on Social Protection and the Law on Child Protection, is implemented in a way that the public institutions for elderly people - homes for the aged and public institutions for children – kindergarteners are transferred on a local level, and municipalities, i.e. the city of Skopje are given the possibility to participate as providers of certain services from social protection through their own development programs for the specific needs of the citizens, adopted and financed by the bodies of the relevant municipality.

In the area of social protection, a new right for financial aid is introduced for a person who by the age of 18 has had a status of a child without parents and parental care, until the age of 26. In addition, inspection surveillance is introduced on the implementation of the laws and other legal acts in the social protection area addressed to the social protection institutions and other legal entities and natural persons performing any social protection activities in order to achieve more efficient realisation of the citizens' rights.

A significant reform in the social insurance was performed through the reform of the pension system of the Republic of Macedonia. The Pension System of the Republic of Macedonia is regulated with the Law on Pension and Disability Insurance (Official Gazette of the Republic of Macedonia No. 80/93, 3/94, 14/95, 32/96, 24/00, 96/00, 5/01, 50/01, 85/03, 40/04, 4/05 and 101/05), the Law on Mandatory Fully Funded Pension Insurance (Official Gazette of the Republic of Macedonia No. 29/02, 85/03 and 40/4) and a number of bylaws. The implemented reform, whose actual realization commenced in January 2006 with the mandatory membership of all insured persons employed after 01.01.2003 in one of the two private pension funds, ensured alignment of the pension system with the demographic challenges and its sustainability and adjustment to the economic and social changes in the society.

7. Antidiscrimination and Equal Opportunities

The Republic of Macedonia has not defined a special *anti-discrimination* system yet ; the equal treatment of the persons, however, regardless of the racial or ethnical origin, the equal treatment in employment and recruitment and protection of the rights and dignity of the persons with disabilities are contained in a number of legal acts in the Republic of Macedonia (the Constitution of the Republic of Macedonia, the Law on Labour Relations, Law on Health Insurance, Law on Primary Education, Law on Secondary Education, Law on Higher Education and the National Programme for Development of Education in RM 2005-2015). The aforementioned laws regulate the equal treatment of all persons in the area of employment, health insurance and education pursuant to Directive 32000L0043, whereas the area of social protection shall be covered with the adoption of the new law.

The Law on Labour Relations (Official Gazette of the Republic of Macedonia, No. 62/05) regulates the equal treatment in employment and recruitment, i.e. it poses prohibition on any type of discrimination (direct and indirect) in employment, which complies with the Directive 32000L0078.

The Law on Employment of Disabled Persons of the Republic of Macedonia regulates the area of promotion and protection of the rights and dignity of the persons with disabilities, which complies with the Communication from the EC to the Council and the European Parliament towards a UN legally binding instrument to promote and protect the rights and dignity of the persons with disabilities (COM (2003) 16 final).

In the course of 2005, the National Working Group prepared the Operative Plans for implementation of the objectives envisaged in the National Action Plans from the four priority areas of the initiative "Decade of Roma Inclusion" for the period 2006-2008, which were adopted by the Government of the Republic of Macedonia on 18 November 2005.

Having regard to the area of *equal opportunities for women and men* the Law on Labour Relations regulates the conditions for use of parental leave pursuant to the Directive 31996L0034, as well as the burden of proof in cases of discrimination based on sex pursuant to the Directive 31997L0080.

The amendments to the Law on Pension and Disability Insurance (Official Gazette of the Republic of Macedonia No 101/05) in addition to the systematic solution, provides the opportunity for acquiring the right to pension based on length of service (35 for women and 40 years for men). This transitional provision shall be applicable until September 2007, and upon the expiration of this time limit, valid shall be solely the systemic solution as laid down in the Amendments to the Law on Pension and Disability Insurance (Official Gazette of the Republic of Macedonia No 24/00), (62 years of age for women and 64 years of age for men). The Law does not make difference between the civil servants and other employees in the exercising of the right to pension.

B) SHORT-TERM PRIORITIES

1. Labour Law

- Thorough analysis of the legislation covering the area of labour law and employment from the aspect of their alignment with the *acquis*, as well as preparing a plan aimed at further harmonisation and identification of the priorities.
- Establishment of specialised units competent for labour disputes in the courts where there is no existence of such units;

2. Health and Safety at Work

- The amendment to the Law on Safety at Work shall be carried out in second quarter of 2006, for the purposes of its alignment with the Framework Directive 31989L0391.
- Adoption of the following bylaws:
 - Rulebook on personal protective equipment at the workplace, which shall comply with the Directive 31989L0656.
 - Rulebook on measures and norms for protection at work regarding working equipment, which shall comply with the Directive 31989L0655.
 - Rulebook on health signs for protection at work, which shall comply with the Directive 31992L0058.
 - Rulebook on protection at work in manual loading and unloading, which shall comply with the Directive 31990L0269.
 - Rulebook on protection of workers from the risks related to exposure to noise at work, which shall comply with the Directive 31986L0188.
 - Rulebook on the maximum permitted concentrations of harmful gases, steam and aerosol in the working premises and premises where the workers work, which shall comply with the Directives 31991L0322 and 32000L0039.
 - Rulebook on protection of workers from risks related to exposure to vibrations at work, which shall comply with the Directive 32002L0044.
- Adoption of a National Strategy on Health, Healthy Living and Working Environment and Safety at Work, which has already been prepared and is to be adopted in the course of 2006.
- Establishment of Unit for Legislation in the Sector for Safety at Work, within the State Labour Inspectorate, consisting of three experts that will work on the harmonisation of the national legislation with the *acquis*.

- Strengthening of the State Labour Inspectorate by employment of inspectors, enhancement of their professional capacities and improvement of the working conditions (vehicles, computers, mobile phones, video cameras and other helping devices).

3. Social Dialogue

- According to the new Law on Labour Relations harmonisation of the general and branch collective agreements, the Agreement Establishing the Economic and Social Council and the Rules of Procedure of the Economic and Social Council, will be accomplished.
- Staffing of the established Unit for Social Partnership (within MLSP) to the end of enhancement, development, professional and logistic support of the social partners.
- Organisation of trainings, seminars and workshops concerning the implementation of acquis for the purposes of capacity strengthening of the persons involved in the social dialogue, with participation of foreign experts, informative materials etc., as well as application of experiences and mechanisms of the EU Member States.

4. Employment Policy and European Social Fund

- Amendment to the Law on Employment and Insurance in Case of Unemployment in the first quarter of 2006, as regards: 1. the employment contracts to be verified by the office competent for intermediation in employment 2. definition of employer 3. alteration of the terminology, economic, technological, structural and similar changes to be replaced by the term business reasons 4. enhancement of the records-keeping 5. definition of unemployed person from the aspect of part-time work for one or several employers 6. equal treatment of the national and foreigner in the employment and self-employment, as well as provision of opportunity for using benefits upon the termination of the labour relation pursuant to the international agreements concerning social insurance, ratified by the Republic of Macedonia.
- Preparation of the second National Action Plan for Employment in the second half of 2006 based on the EU employment guidelines with implementation of the amendments to the guidelines pursuant to the new Lisbon Agenda.
- Training of the employees in the Employment Agency of the Republic of Macedonia and the MLSP in the course of 2006 in the area of drafting and implementation of the National Action Plan for Employment, research of the labour market, analysis of the needs for qualification and training for monitoring and implementation of NAPE 2006 - 2008.
- Preparation of the Employment Strategy in which certain labour market policies will be incorporated and it will provide grounds for identification of the existing and projected policies, programmes and instruments (measures) in view of the EU employment guidelines, as well as assessment of the existing measures in the Republic of Macedonia and the ones in the EU.
- Strengthening of the institutional capacity of the Sector for International Cooperation by employment of three persons and establishment of a Unit for Sectoral Programmes Management, financed by the pre-accession funds with three employees and training due to preparation, management, implementation, monitoring and control over the implementation of the programmes pursuant to EU rules.
- Preparation and realization of the first IPA projects within the human resources development component, which shall ensure preparation of the relevant institutions to implement and manage the European Social Fund (ESF), particularly through financing the activities and measures similar or identical to the ones that are subject to financing by ESF. This component shall support the priorities, measures and activities of the Employment policy and social policy, which are in compliance with the objectives of the European Employment Strategy and Integrated EU employment guidelines.

5. Social Inclusion

- Commencement with the application of the Laeken indicators by the State Statistical Office and based on the data, undertaking certain measures on reduction of the poverty, i.e. intensifying the process of social inclusion.
- Preparation of National Programme on Domestic Violence;
- Preparation of National Strategy on Deinstitutionalisation;
- Preparation of Protocols for operation of the MLSP, Ministry of Interior, Ministry of Justice and Associations of Citizens concerning the establishment of procedures in the protection of the victims of domestic violence;
- Establishment of multi-sectoral coordinative body that will comprise the necessary resources for the preparation and realization of the comprehensive policies for tackling of the social exclusion and poverty.
- For the purpose of enhancement of the care for the socially excluded categories, the following forms of protection are projected:
 - establishing and putting into function of 4 day-care centres for children with disabilities
 - establishing and putting into function of 2 centres for victims of domestic violence
 - establishing and putting into function of 2 day-care centres for street children
 - establishing and putting into function of 2 day-care centres for drug abusers
 - maintaining of 1 centre for homeless persons

6. Social Protection

- Adoption of a new Law on Social Protection, whereas the Directive 32000L0043 implementing the principles of equal treatment between persons irrespective of racial or ethnical origin shall be implemented, and the requisite alignment with the Law on Asylum and Temporary Protection shall be carried out.
- Completion of the legal framework in the area of pension insurance with the adoption of the Law on Voluntary Fully Funded Pension Insurance and Law on Pension Payment
- Application of the EU Survey on Income and Living Conditions of the households as basis for calculating all Laken indicators.
- Preparation of a general list on the specific needs of the people with disabilities, as well as the norms and standards as regards the day-care centres for children and adults with special needs;
- Arrangement of the records and documentation on the beneficiaries entitled to social and child protection and documentation on the professional work and the manner of accommodation in the fostering family.
- Establishment of a Sector for Inspectoral Surveillance over the Social Protection, authorised for monitoring the implementation of the laws and other regulations in the area of social protection over the social protection institutions and other legal entities and natural persons that perform certain tasks related to social protection, to the end of attaining more efficient and adequate realization of the rights claimed by the citizens in the area of social protection.
- Establishment of a Reception Centre for Asylum Seekers.

7. Antidiscrimination and Equal Opportunities

- Preparation of National Action Plans concerning the six priority areas of the “Strategy for the Roma in the Republic of Macedonia” and its functioning.
- Implementation of the National Action Plan from “Decade of Roma Inclusion” in the area of employment
- Financing the secondary education of the Roma in the Republic of Macedonia,
- Adoption of the Law on Equal Opportunities between Women and Men. It is foreseen for the non-harmonized laws of the Republic of Macedonia and the other relevant regulations and acts to be aligned with the provision of this Law, within a year upon its entry into force.
- Reforming the existing Unit for promotion of the gender equality (within MLSP) in a higher organisational structure, i.e. Sector for Equal Opportunities for Women and Men.
- Establishment of a Commission for Equal Opportunities within the Assembly of the Republic of Macedonia which shall be competent for incorporation of the gender concept in the legal acts.
- Establishment of Commissions for Equal Opportunities for Women and Men within the Councils of the Local Self-Government which shall be competent for adequate implementation of the Law on local level.
- Amending the existing legislation in the area of education, by insertion of the gender concept in the provisions that pertain to the contents of the syllabus.
- Alignment of the Law on Local Self-Government with the provision from the Law on Equal Opportunities for Women and Men which pertains to the obligation of the local self-government units for the establishment of a Commission for Equal Opportunities for Women and Men within the Councils of the Local Self-Government.
- Harmonization of the Law on the Ombudsman with the Law on Equal Opportunities for Women and Men.
- Incorporation of the gender concept in all laws, bylaws, strategies, programmes, internal documents and rulebooks.

C) MEDIUM-TERM PRIORITIES

1. Labour Law

- Harmonization of the Law on Labour Relations with the *acquis* and implementation of the directives covering the area of discrimination on grounds of sex, provision of better living and working conditions, as well as intensive work for the purpose of creation of new job posts, limitation of the freedom in negotiations for employment.

2. Health and Safety at Work

- Adoption of rulebooks in the area of safety at work:
 - Rulebook on protection of the health and the safety of workers from risks related to exposure to chemical agents, aligned with the Directive 31998L0024.
 - Rulebook on protection of the health and the safety of workers from risks related to exposure to biological agents, aligned with the Directive 32000L0054.
 - Rulebook on protection of the health and the safety of workers from risks related to exposure to physical agents (electro-magnetic field), aligned with the Directive 32004L0040.
 - Rulebook on protection of workers from risks related to exposure to asbestos at work, aligned with the Directives 31983L0477 and 32003L0018.
 - Rulebook on protection at work potentially at risk from explosive atmospheres, aligned with the Directive 31999L0092.

- Rulebook on the protection at work from the risks related to exposure to carcinogens and mutagens at the work place, aligned with the Directive 32004L0037.
- Rulebook on the minimum requirements for safety and health protection of workers in surface and underground mineral-extracting industries, aligned with the Directive 31992L0104.
- Rulebook on the minimum requirements for improving the safety and health protection of workers in the mineral-extracting industries through drilling aligned with the Directive 31992L0091.

3. Social Dialogue

- Involvement of the social partners in the elaboration and implementation of the legislation through continual activity in the Economic and Social Council.

4. Employment Policy and European Social Fund

- Monitoring the implementation of the Employment strategy with incorporated EU guidelines and policies for employment. On the basis of this strategy, three-year National Action Plans shall be prepared.
- Procurement of additional IT equipment for the needs of the Employment Agency of the Republic of Macedonia and relevant training for utilization of the equipment. The equipment shall be purchased upon prior assessment of the needs for equipment, which shall be conducted within the CARDS II Employment Policy Project.
- Further capacity building to implement the Decentralised Implementation System (DIS)
- Development of capacities for programming and managing within the competent institutions in direction of their complete preparedness for efficient utilization of the ESF upon acquiring the status of EU Member State.

5. Social Inclusion

- Preparation of a Joint Inclusion Memorandum (supported by the expert and technical assistance of the EU, pursuant to the established procedure concerning the preparation of such document, as it is laid down in the recommendations to the candidate countries)
- Preparation of a Strategy for Poverty Management and Social Exclusion.
- Establishment of two small group centres, for inclusion of small institutions in the social protection system, pursuant to the Declaration and Agenda of the Action Plan for children's rights, accepted by the Government of the Republic of Macedonia and the UNICEF Office.

6. Social Protection

- Adoption of a National Programme for Development of Social Protection (by the end of 2009), starting from the recommendations and resolutions by the European Council on the promotion of employment and social integration of the people with disabilities (32003G0724 (01)), on the equal opportunities for the people with disabilities within the framework of the European Action Plan (52003DC0650), on the European year of people with disabilities (32001D0903) and Commission Decision on the Liaison Group on the Elderly (31991D0544).
- Amendments to the Law on Pension and Disability Insurance in the part pertaining to the disability insurance. There is a necessity for redefining the definition for disability, i.e. establishment of legal basis in the disability insurance in addition to the disability-based pension as an ultimate protective measure, according to the modern European tenants and principles, the preceding preventive measure in the pension system to be realized solely through the right to professional rehabilitation based on the grounds of decreased working ability.
- All the existing rights that were realized in the pension system, such as the right to assignment to another work post and work on part-time basis, shall be left out from the system and transferred to the system of labour-related legislation, as is the case in the European countries.

7. Antidiscrimination and Equal Opportunities

- Deciding whether to prepare a Law on Antidiscrimination or to regulate that domain with the existing laws, by 2009. In case of drafting of a new Law on Antidiscrimination, its implementation shall be expected in 2010.
- Implementation of the objectives from the National Action Plans from both documents, the "Strategy for the Roma in the Republic of Macedonia" and "Decade of Roma Inclusion 2005-2015".
- Continuous monitoring of the new legal proposals in the Assembly of the Republic of Macedonia from the aspect of incorporation of the gender concept therein.
- Enforcement of trainings for the purposes of successful implementation of the Law on Equal Opportunities for Women and Men.

INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget No	Institution	2006	2007	2008	2009	2010	Total
15001	Ministry of Labour and Social Policy						
	- <i>International Cooperation Sector</i>	2	1	0	0	0	3
	- <i>Labour Sector</i>	3	0	0	0	0	3
	- <i>Labour Sector– Social Partnership Unit</i>	3	0	0	0	0	3
	- <i>NEW: Sector for equal opportunities for women and men</i>	2	0	0	0	0	2
	- <i>NEW: - Sector for Inspection in the Social Protection</i>	6	6	0	0	0	12
	- <i>State Labour Inspectorate</i>	9	0	0	0	0	9
	- <i>Sector for International Cooperation – Unit for Sectoral Programmes Management</i>	2	1	0	0	0	3
15001 Total		27	8	0	0	0	35
Total		27	8	0	0	0	35

FOREIGN ASSISTANCE

- “Roma Education Fund”, initiative by the World Bank and Institute Open Society;
 - EUR 1 220 000 for financing the secondary school Roma pupils in the Republic of Macedonia
- CARDS 2004:
 - Technical Assistance to Institution Building in Support of Employment Policy
- CARDS 2006:
 - Procurement of additional IT equipment for the needs of the Employment Agency of the Republic of Macedonia

3.20 ENTERPRISE AND INDUSTRIAL POLICY

3.20.1 INDUSTRIAL STRATEGY

1. CURRENT SITUATION

1.1. STRATEGIC DOCUMENTS

The basic features of the industrial policy in the Republic of Macedonia include: completion (rounding up) of the privatisation process, setting up the structure of the industrial production on a new basis, enhancement of the competitiveness of the Macedonian economy, improvement of the business environment, increase in the investments (domestic and foreign), promotion of small and medium-sized enterprises, and promotion of entrepreneurship.

The industrial policy in the Macedonian economy is incorporated into the National Strategy for Integration of the Republic of Macedonia into the EU, as well as in other framework documents, strategies or annual programmes for the current economic policy.

The National Strategy for Integration of the Republic of Macedonia into the EU includes activities that confirm the horizontal dimension of Macedonia's industrial policy: (a) promotion programmes, which include: export promotion, foreign direct investment promotion, and support for the development of small and medium-sized enterprises; (b) encouragement programmes, which include: improvement of the production factors, development of information society and development of information and communication technology, and encouragement of research and development activities (R&D); and (c) programmes for improving corporate strategies and organisational structures, which include: education of the management, business restructuring (modernisation), harmonisation and introduction of the international technological standards in the Republic of Macedonia, and improvement of the corporate governance.

As regards the vertical (sector) approach of the industrial policy on creation of competitiveness of the Macedonian economy, a special four-year project for creation of competitiveness of the Macedonian economy, funded by USAID, is being implemented in Macedonia since 2003. Within the frames of the project a National Entrepreneurship and Competitiveness Council has been established, a tripartite body consisting of the private, public and civil sector. A special part of the project is the set-up of five clusters on: lamb and cheese, tourism, information technology, wine and textiles.

For the purpose of restructuring the enterprises from the steel industry as well as enhancing their competitiveness, a special "National Restructuring and Conversion Programme for the Steel Industry in the Republic of Macedonia" was adopted, as an obligation under Protocol 2 of the Stabilisation and Association Agreement.

1.2. INSTITUTIONS

The Ministry of Economy is responsible for defining and implementing the policy in the industrial domain. The Ministry submits to the Government proposals in the area of industrial policy, developed by the Ministry itself and/or in cooperation with the other ministries. Within the Ministry of Economy, the Sector for Industry is responsible for creation of the industry-related policy, which employs a staff of 16, distributed in: the Unit for Industrial Production and Technological Development Monitoring, the Unit for Structural Adjustments, the Unit for Privatisation, the Unit for Industrial Policy and Proposal of Measures, and the Unit for Steel.

The Unit for Industrial Policy and Proposing Measures will prepare a Study on Development of Indicators of the Macedonian Industry's Competitiveness, as the basis for the Industrial Policy Strategy.

With the establishment of the Unit for Steel the task of institutionalisation of the "National Restructuring and Conversion Programme for the Steel Industry in the Republic of Macedonia" is realised, and at the same time conditions for its continuous implementation are created.

2. SHORT-TERM PRIORITIES

2.1. INSTITUTIONS

Efforts will continue for professional strengthening of the new established units – the Unit for Industrial Policy and Proposal of Measures and the Unit for Steel. Budget funds are foreseen for the employment of four new officials in 2006 (two in each unit). Additional funds will be provided in 2007 to engage another two employees (one in each of the two mentioned units). The units will identify the needs of consultancy assistance, training and study visits.

2.2. STRATEGIC DOCUMENTS

The following have been identified as priority tasks for the coming period:

- Preparation of a Study on Development of Indicators of the Macedonian Industry's Competitiveness (by the end of 2006), as the basis for the Industrial Policy Strategy, which should be developed and adopted by the end of 2007;
- Preparation of an Industrial Policy Strategy;
- Implementation of the "National Restructuring and Conversion Programme for the Steel Industry in the Republic of Macedonia";

- Within the Sector for Industry, the Unit for Industrial Production and Technological Development Monitoring, a Textile Industry Development Strategy of the Republic of Macedonia will be developed.

3. MEDIUM-TERM PRIORITIES

The following priorities are set for the period 2008 – 2010:

- Implementation of the Industrial Policy Strategy;
- Implementation of the Textile Industry Development Strategy of the Republic of Macedonia.

In addition, efforts will continue for professional strengthening in the Sector for Industry within the Ministry of Economy. The employment of three new persons is foreseen – one in the Unit for Industrial Policy and Proposal of Measures and two in the Unit for Structural Adjustment.

4. FOREIGN ASSISTANCE

As part of the BERIS (Business Environment Reform and Institutional Strengthening) Project agreed with the World Bank, funds have been projected for the development of a *Study on Development of Indicators of the Macedonian Industry's Competitiveness*, as the basis for the *Industrial Policy Strategy* and for the implementation of the *"National Restructuring and Conversion Programme for the Steel Industry in the Republic of Macedonia"*, as well as for expert assistance and training of the employees.

The Swiss Compensation Fund foresees funds for development of project tasks related to the Textile Industry Development Strategy in the Republic of Macedonia.

Having regard to the budget limitations, support is expected for the implementation of the Industrial Policy Strategy and the *Textile Industry Development Strategy* in the Republic of Macedonia, in the period between 2008 and 2010.

3.20.2 PRIVATISATION AND RESTRUCTURING

1. CURRENT SITUATION

Following the abolishment of the Privatisation Agency of the Republic of Macedonia, the Ministry of Economy will continue and complete the privatisation process of the non-privatised enterprises with social and state capital. At the same time, a process of ownership transformation of the public companies, institutions and parts of the health care organisations in the public sector is currently ongoing.

1.1 LEGISLATION

Pursuant to the Law on Transformation of Enterprises with Social Capital (Official Gazette of the Republic of Macedonia No. 38/93, 48/93, 21/98, 25/99, 39/99, 81/99, 49/00, 6/02, 31/03, 38/04), the Privatisation Agency ceased to exist on 31 March 2005. The process of privatisation of non-privatised enterprises with social and state capital and the process of ownership transformation of the public enterprises, institutions and parts of the health care organisations in the public sector are taking place in accordance with several laws: Law on Transformation of Enterprises with Social Capital (Official Gazette of the Republic of Macedonia No. 38/93, 48/93, 21/98, 25/99, 39/99, 81/99, 49/00, 6/02, 31/03, 38/04), Law on Privatisation of State Capital (Official Gazette of the Republic of Macedonia No. 37/96, 25/99, 81/99, 49/00, 06/02, 77/05), Law on Institutions (Official Gazette of the Republic of Macedonia No. 32/05, 120/05), Law on Transformation of the Public Enterprise "Macedonian Railways" UnLtd. Skopje (Official Gazette of the Republic of Macedonia No. 29/05), Law on Health Protection (Official Gazette of the Republic of Macedonia No. 84/05), Law on Culture (Official Gazette of the Republic of Macedonia No. 31/98, 49/03) and Law on Broadcasting Activity (Official Gazette of the Republic of Macedonia No. 100/05).

1.2 INSTITUTIONS

After the abolishment of the Privatisation Agency, the competencies regarding the completion of the privatisation process were delegated to several state institutions.

The share and stocks issued by the Agency that were not sold before ceasing its operation were transferred into the competence of the Pension and Disability Insurance Fund.

The assets (facilities, machinery and other equipment) that the Privatisation Agency was entrusted with are now under the competence of the Public Enterprise for Management of Housing and Business Premises.

The Ministry of Finance assumed the liabilities and payments under the agreements for sale of stocks and state-owned share.

The Unit for Privatisation of the Sector for Industry within the Ministry of Economy was assigned with the task of completing the procedures related to the uncompleted transformation/privatisation of the state and social capital, privatisation-related court cases, new privatisation sectors (public enterprises, institutions and parts of the health care organisations in the public sector), as well as all

other competencies that were not allocated. As part of those competencies, the Unit for Privatisation assumed the entire documentation from the Privatisation Agency, along with four employees.

2. SHORT-TERM PRIORITIES

The privatisation of non-privatised enterprises with social and state capital, sale of stocks and state-owned share and the process of ownership transformation of the public enterprises, institutions and parts of the health care organisations in the public sector is planned to be realised.

3.20.3 BUSINESS ENVIRONMENT

1. CURRENT SITUATION

1.1 LEGISLATION

The investments and investing in the Republic of Macedonia are not regulated by a special law, but subject matter is incorporated in some 70 laws and by-laws, with the majority of them in the Company Law (Official Gazette of the Republic of Macedonia No. 28/04, 84/05).

1.2 STRATEGIC DOCUMENTS

As regards the promotion of investments, a *Programme for Stimulating Investment in the Republic of Macedonia* was developed in cooperation with local experts and representatives of international organisations (World Bank, MIGA, UNDP, and USAID). It elaborates in detail the basic measures to stimulate investments in the Republic of Macedonia. In cooperation and coordination with the specialised World Bank institution FIAS, a *Study for Detecting Administrative Barriers to Investments and Attraction of Foreign Investments in the Republic of Macedonia* was also prepared. The Study includes: (a) identification of problems and barriers affecting the (non) attraction of foreign investors, and (b) establishment of a dialogue between the public and private sector for the purpose of identifying the required administrative reforms and proposing measures for the implementation of such reforms. In April 2003, FIAS prepared a Report on Administrative Procedures for Investing in the Republic of Macedonia, along with recommendations for their minimization and/or elimination. A Steering Committee was also set up to act as an advisory body consisting of representatives from various ministries, institutions and the private sector. In cooperation with the Ministry of Economy, the Committee prepared an Action Plan with specific measures, activities, deadlines and main drivers of the reforms in the area of administrative barriers to investments.

1.3 INSTITUTIONS

At the beginning of 2005, the Agency for Foreign Investments MAKINVEST commenced its operations. The competence of the Agency includes the implementation of the policy for creation of favourable conditions for attracting foreign direct investments and implementation of the best practices for promotion of foreign direct investments.

2. SHORT-TERM PRIORITIES

It is planned to intensify the activities related to the implementation of the measures in accordance with the Programme for Stimulating Investment in the Republic of Macedonia and the Action Plan for Improving the Investment and Business Environment in the Republic of Macedonia. The measures in the Action Plan, defined by specific drivers and with specified dynamics, will have to be realised by the end of 2006. Afterwards, new recommendations and directions will be identified in order to overcome the remaining barriers that restrict the investments in the Republic of Macedonia.

2.1 INSTITUTIONS

It is planned professional strengthening of the Agency for Foreign Investments with new employees.

3. MEDIUM-TERM PRIORITIES

It is planned continuous implementation of the Programme for Stimulating Investment in the Republic of Macedonia. Also the newly identified recommendations and guidelines aimed at improving the conditions for business environment and increasing the production levels, competitiveness and attractiveness of the country for investors will be followed.

3.20.4 SME POLICY

1. CURRENT SITUATION

1.1 LEGISLATION

The following are the key legal acts regulating the operation of the small and medium-sized enterprises: the Law on Establishment an Agency for Promotion of Entrepreneurship in the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 60/2003), Law on Craftmanship (Official Gazette of the Republic of Macedonia No. 62/04) and Company Law (Official Gazette of the Republic of Macedonia No. 28/04, 84/05).

In addition to the above mentioned laws, there are about 60 more containing provisions that partly regulate the SMEs sector in the Republic of Macedonia.

1.2 STRATEGIC DOCUMENTS

The development of SMEs has been defined in the following documents:

- National Strategy for Small and Medium-Sized Enterprises with a Programme of Measures and Activities for Development of Small and Medium-Sized Enterprises;

The National Strategy for Small and Medium-Sized Enterprises was adopted in July 2002 as the basis and guidance for the future activities regarding the development Macedonian entrepreneurship. By 2002, the support for the SME sector was realised through the macroeconomic policy at an annual level.

The Programme of Measures and Activities for Development of Small and Medium-Sized Enterprises was adopted by the Government in 2003, in the form of a four-year programme focusing on 4 important areas: creation of an infrastructure for the support of entrepreneurship, creation of favourable economic environment, promotion of non-financial and financial forms for support of the entrepreneurship.

(a) Creation of an infrastructure for support of the entrepreneurship:

- The Law on Establishing an Agency for Promotion of Entrepreneurship was enacted; the Agency is the primary institution in the entrepreneurship promotion infrastructure and regarded as the key implementing agency of the Government policy and strategy for small and medium-sized enterprises development;
- Eight regional centres for promotion of the entrepreneurship were networked;
- The National Entrepreneurship and Competitiveness Council was established to act as a forum between the public, private and civil sector;
- The Small and Medium-Sized Enterprises Observatory was formed and it contributes to the introduction of supportive measures for sectors demonstrating a growth trend;
- A Euro-Info Correspondence Centre was established; it is connected to the network of about 300 such centres in Europe;

(b) Creation of favourable economic environment:

- Creation of favourable economic environment, i.e. elimination of regulatory and administrative barriers to the development of entrepreneurship through adoption of new or amending the existing laws;

(c) Promotion of non-financial forms for support of the entrepreneurship:

- Through its regional centres, the Agency for Promotion of Entrepreneurship in the Republic of Macedonia realised a large number of non-financial projects aimed at acquiring entrepreneurial skills, introduction of standards, raising the awareness of entrepreneurs of the significance of using consulting services in their everyday work;

(d) Promotion of financial forms for support of the entrepreneurship:

- The Law on Leasing (Official Gazette of the Republic of Macedonia No. 13/06) was enacted and five leasing companies were established, and
- With the amendments of the Law on Establishing Macedonian Bank for Development Promotion, a legal basis was provided for establishing a Guarantee Fund;

The four-year programme is realised through *one-year Government programmes for promotion of entrepreneurship and creation of competitiveness of the small and medium-sized companies (for 2003, 2004 and 2005)*. The one-year programmes allocate funds set aside in the budget of the Republic of Macedonia for supporting the institutional infrastructure and funding non-financial forms of support for SMEs (used for attaining the goals of the Programme and the European Charter for Small Enterprises).

The other strategic documents related to SMEs are:

- *The European Charter on Small Enterprises*, adopted at the 2003 Thessalonica Summit was accepted by the Macedonian Government. A National Report on Realised Activities in 10 areas is prepared each year and is subject to revision by EC;.
- Ever since 2003, *Reports* are prepared by the *Macedonian Small and Medium-Sized Enterprises Observatory*, for the purpose of making Macedonian data on the SME sector comparable to the European ones.

1.3 INSTITUTIONS

In the area of SMEs, competency is assigned to the institutions that are in charge of implementing the legal framework for the purpose of supporting and developing SMEs:

- The Agency for Promotion of Entrepreneurship in the Republic of Macedonia,
- 5 regional SME development funds,
- agencies for support of enterprises,
- 1 regional agency for assistance to enterprises,

- agencies for transfer of technology at 2 universities,
- the Euro-Info Correspondence Centre
- 7 business incubators, and
- a Centre for encouraging the development of SMEs, operating within the Chamber of Commerce of the Republic of Macedonia, which provides services to the enterprises.

These institutions are the basic institutional network required for strengthening the entrepreneurship. The network should be enhanced with a larger number of agencies whose services should be improved in both quantitative and quality terms.

A number (17) of local centres for economic development were established and it is expected they to have a larger role in the development of entrepreneurial culture and spirit, which is of particular significance to the process of restructuring the Macedonian economy.

The regional funds, agencies for support of enterprises and business incubators are institutions which are responsible of assisting entrepreneurs at a regional and local level. The activities of the existing centres for local economic development, as well as the new agencies/centres, are aimed at increasing of the employment and economic development.

The employees in the line ministries and the Sector for Promotion of Entrepreneurship and Competitiveness of the Ministry of Economy have upgraded their professional skills through attending seminars and training as part of several ongoing projects (CARDS, Project for SMEs Development Promotion 2005, etc.). Also, staff of the regional institutions for SME development was continuously trained.

2. SHORT-TERM PRIORITIES

In accordance with the Strategic Plan for Development of the SME sector, a large number of activities will take place in the course of 2006:

- Revision of the National SME Strategy, adopted in 2002, that covers a 10-year period. The revision and adoption of the Strategy is foreseen by the end of 2006. This will be followed by a development of a new four-year programme of measures and activities aimed at supporting SMEs. In doing so, emphasis will particularly be placed on learning about entrepreneurship in the educational institutions;
- 2006 Annual Programme for SMEs support, which will in essence implement the projects emerging from the European Charter for Small Enterprises and from the Four-year Programme will be prepared;
- Particular attention will be paid to the development of entrepreneurial skills and learning by young people, by considering the possibility of introducing entrepreneurship as a subject in the schools and universities. To this goal, efforts are made to strengthen the partnership between the participants directly involved in the process – the relevant ministries, non-governmental institutions and financial institutions;
- establishment of a Human Resources Fund in order to enhance the managerial capacities in the enterprises and to enable acquisition of new skills. This is realised through a project funded by the EU and managed by EAR;
- introduction and functioning of a one-stop-shop system on the entire territory of the Republic of Macedonia;
- development of instruments for non-financial and financial support of SMEs, through continuation of the activities within the project “Voucher System for Financing Consulting Services for Clients – Unemployed Potential Entrepreneurs and Those Already Involved in Business Activities”;
- direct assistance to 100 enterprises aimed at strengthening their competitiveness and higher export levels, as part of the CARDS Project for Promotion of SMEs;
- further development of the cluster approach in various sectors, to enhance the competitiveness of SMEs and prepare them for penetrating into foreign markets;
- commencement of operations of the incubator for young people, realised in partnership with SINTEF-Norway, the Agency for Promotion of Entrepreneurship and the Ministry of Economy;
- promotion of enterprises by organising a Entrepreneurs Fair;
- Co-financing other donor projects through which entrepreneurship is supported.

The activities will also be aimed at enabling on-line services for SMEs, easier access to funds, improvement of the legislation to ensure more successful cooperation between the SMEs, exploring the possibility of reducing the tax burden of start-up businesses, better presentation of SMEs, improvement of e-business, functionality of the electronic signatures, improvement of the entrepreneurial culture, etc.

3. MEDIUM-TERM PRIORITIES

The mid-term goals of the development of small and medium-sized enterprises are closely connected with the continuous implementation of the European Charter for Small Enterprises and the guidelines of the EU Lisbon Strategy particularly in the part related to competitiveness, innovation and promotion of entrepreneurial culture, as a prerequisite for growth of the entire economy and

in particular of the SMEs. The implementation of the new four-year programme of measures and activities for promotion of small and medium-sized enterprises will continue in the period 2008 – 2010.

In the area of legal regulation directly affecting SMEs, changes are foreseen in the Law on Establishing an Agency for Promotion of Entrepreneurship in the Republic of Macedonia. The changes will refer to the part defining SMEs. The existing law contains a definition of SMEs in compliance with the EU legislation in terms of the number of employees, but regarding the value of the active assets, the Law stipulates threshold which is at a level lower than those in EU.

Possibilities will also be considered of setting up institutions for technological assistance and support, i.e. transfer of technology and know-how, which are currently insufficient or non-existent.

4. FOREIGN ASSISTANCE

The realisation of the *CARDS 2005 Project "Development of Small and Medium-Sized Enterprises"* commenced. The Project includes the following components: promotion of the SME policy, measures of support for SMEs, and strengthening the public-private partnership (the amount of the project totals about Euro 2.4 million).

Another ongoing *CARDS* project is the *Human Resources Development Fund I and II*, which promotes learning in the enterprises. What is also in plan is the establishment of a Human Resources Development Fund.

A *JICA technical assistance* for the Agency for Promotion of Entrepreneurship in the Republic of Macedonia is also agreed upon and is to start in September 2006. The technical assistance will include trainings for employees and development of a study of the possibilities for creation of start-up companies in the information technologies sector.

5. INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget Number.	Institution	2006	2007	2008	2009	2010	Total
10001	Ministry of Economy, Sector for Entrepreneurship Promotion	0	0	0	0	0	0
	Ministry of Economy, Sector for Industry, Unit for Industrial Policy and Proposal of Measures, Unit for Steel and Unit for Structural Adjustment	2	2	3	0	0	7
10001 Total		2	2	3	0	0	7
TOTAL		2	2	3	0	0	7

3.21 TRANS-EUROPEAN NETWORKS

3.21.1 TRANS-EUROPEAN TRANSPORT NETWORKS

The Physical plan of the Republic of Macedonia represents a management document and an integral development project, defining the physical organization of the country, the aims and concepts regarding the physical development in certain fields, as well as the conditions for their implementation. In line with the suggested methodology and the programme for drafting, the Physical Plan of the Republic of Macedonia, contains the following basic parts:

1. Analysis and evaluation of the circumstances and tendencies;
2. Planning solutions and the degree of their realization;
3. Long-term general and specific aims of organization and usage of space;
4. Long-term plan concepts in certain fields;
5. Proposals for implementation of the plan and appropriate monitoring.

The basic strategic aim of the Physical Plan of the Republic of Macedonia is to achieve a higher degree of total functional integration of the space of the country as well as providing conditions for significantly higher infrastructural and economic integration with the neighbouring and other European countries.

In the framework of the elements for defining the physical and functional structure and location of the Republic of Macedonia, all direct connections of the country with the neighbouring countries are encompassed. They manifest the most direct relations as part of the obligations in the development of good neighbouring relations and the enforced exchange and cooperation in the surrounding.

The Physical Plan is a long-term based document until 2020, but at the same time, it is based on the principal of flexibility and adjustment of the developing processes and structural changes.

1. CURRENT SITUATION

With the signing of the Memorandum for Understanding of the main regional transport network of South-East Europe in June 2004 in Luxembourg, the signatory countries confirmed their political will for development of the main transport network and agreed that the Memorandum for Understanding is the next step towards the common aim for regional cooperation in South-East Europe.

In this context and in order to study, identify and recommend the most prioritized connections of the EU towards the neighbours, EC decided to form a High Level Group on Transport of the EC.

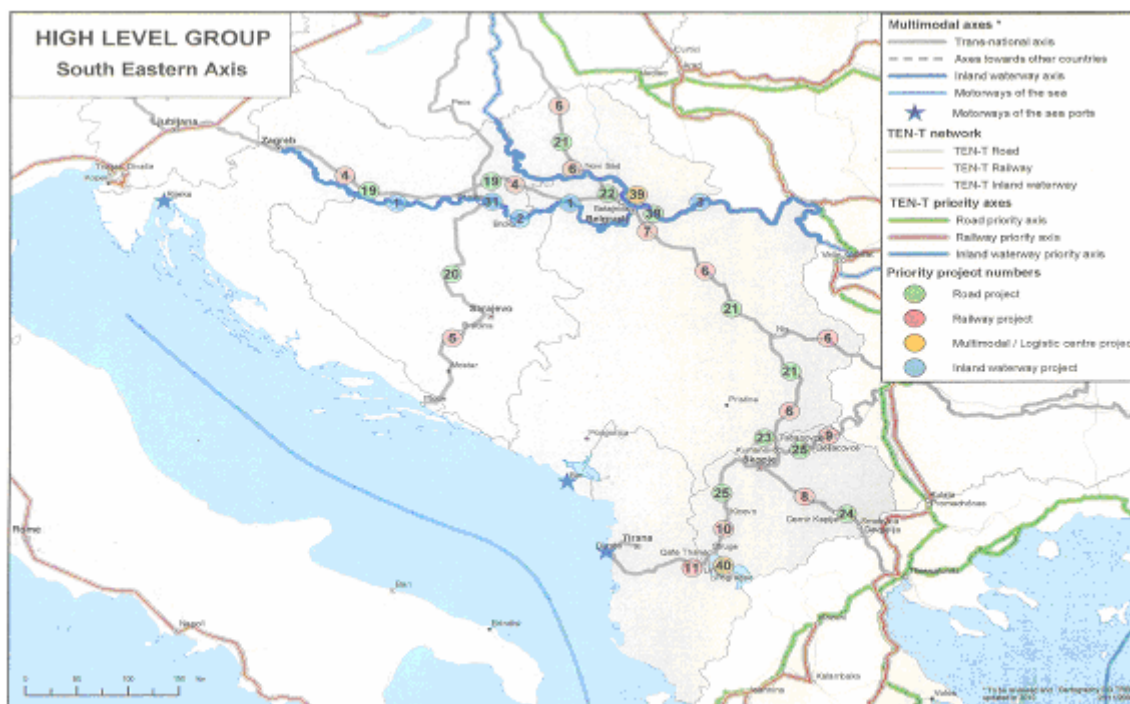
One of the main tasks of the Group was to choose a limited number of main trans-national transport axes for better connection of the EU with neighbouring countries that will facilitate better international cooperation.

At the last meeting that was held on 30 November 2005, a final report was adopted in which the two corridors 10 and 8 has been recognized as trans-national axes and as multimodal directions.



As priority projects identified for realization by the High Level Group for the Republic of Macedonia until 2010 are the following:

- Construction of the highway Kumanovo- Tabanovce (15 million Euro);
- Construction of the highway Demir-Kapija-Udovo-Smokvica (150 million Euro);
- Construction of the highway border crossing with Albania-Skopje-the border with Bulgaria (832 million Euro);
- Reconstruction of the railway connection Tabanovce- Gevgelija, phase 1 (50 million Euro);
- The railway connection Kumanovo-Beljakovce-border crossing with Bulgaria (200 million Euro);
- The railway connection Kicevo- Struga-border crossing with Albania (206 million Euro)



The South-East axes connect the EU with the Balkan countries. The connection is coordinated in the following way:

- Multimodal connection Salzburg-Ljubljana-Zagreb/Budapest-Belgrade-Nis including the following connections:
- Sofia-Istanbul-Ankara –Georgia /Armenia-Azerbaijan;

- Skopje –Thessalonica.

In the framework of the Memorandum for Understanding, the Management Committee is founded and the SEETO (South-East Europe Transport Observatory) with headquarters in Belgrade.

The development of the transport infrastructure in the Republic of Macedonia has achieved significant results in the past period but still the anticipated level of development that would fulfil the contemporary requirements of the society and the economy in the transport of passengers and goods has not yet been achieved.

In order to accelerate and facilitate the trade, the Customs Administration of the Republic of Macedonia has signed a Memorandum for Cooperation with the Customs Administrations of all neighbouring countries (Albania, Bulgaria, Greece, Serbia and Montenegro and with UNMIK), with which the exchange of information is carried out (excise goods and goods that are subject to high taxes). With the exchange of information lists, a high degree of cooperation is achieved between the customs services in the region.

The condition of the road and railway infrastructure along the Corridor 8 and Corridor 10

Concerning the construction of the road infrastructure along Corridor 8, the total length that passes through the Republic of Macedonia is 304 km of which 84 km or 27.6 % are built on a level of a highway, and 8.7% are under construction (the ring Skopje length of 26,5 km).

The Corridor 10 is 172 km long, of which 132 km are built on a level of a highway. The last constructed sections are: the section Smokvica-Gevgelija with length of 11.22 km, financed through EBRD and the section Negotino – Demir Kapija phase III, length 6.5 km, financed through the European Commission, CARDS Programme.

The railway line in the direction of the East-West **Corridor 8**, through the territory of the Republic of Macedonia is 339 km long. At this moment the connection with the neighbouring countries Albania and Bulgaria is yet to be constructed. The construction of a railway connection from Kumanovo to the border with Bulgaria is supported only by means from the state budget.

The railway line in the direction North-South, **Corridor 10**, through the territory of the Republic of Macedonia is 215 km long and starts from the border crossing Tabanovce in the north and ends in the south with the border crossing Gevegelija, including the spur track 10d from the Corridor 10 that starts in Veles and ends at the border crossing Kremenica by Bitola. The railway connection, along the Corridor 10 provides for speed of 100 km/h, and at some points the speed is drastically limited. Along the corridor, there are 19 stations; the railway track is with standard size with 25 KV voltage electrification 50 Hz and with a relay signal system that provides a good communication system. Regarding the 85% of the total transport is primarily performed on the Corridor 10, special priority is given to the increase of speed on certain sections to 130 km/h and with it, the improvement of the level of infrastructure, with an aim to achieve technical conditions on a level of a Corridor, supported by the initiative SEECP- South-East European Cooperation Process. In order to improve the effective flow of persons and goods along the main transport axes of Corridor 8 and Corridor 10, the procedures and the documentation on the border crossings needs to be simplified and harmonized.

At the moment, the funding is realized through budget participation, foreign donations and co-funding. With recommendation by the EU, a funding through a system of investment will start – through Public/Private Partnership (PPP) and concessions.

LEGAL FRAMEWORK

Legal acts

The existing legislation of the Republic of Macedonia that regulates the road and railway transport encompasses the following laws:

Law on Public Roads

The Law on Public Roads (Official Gazette of the Republic of Macedonia No.26/96;40/99; 96/00; 29/02; and 68/04) regulates the conditions and the manner of construction, reconstruction, maintenance, protection, use, management, and funding of public roads, as well as the supervision of the enforcement of this Law.

Aside from the provisions from the Law mentioned above, the provisions from the following documents apply:

- The European Agreement on Main International Traffic Arteries (AGR). Geneva, 15.11.1975;
- Convention on Road Transport;

In accordance with this Law, which is aligned with 31996L0053, the road network of the Republic of Macedonia is accessible for vehicles. Among the most important issues, the Law regulates: the category of roads; competencies; sources of funds and allocation among the entities responsible for the road network; adoption of medium-term and annual programmes for construction, reconstruction and maintenance of roads; competencies for granting concession, etc

The Law on Railways (Official Gazette of the Republic of Macedonia no.64/05) regulates the organizational structure of the railway system, the status of the rail infrastructure and the conditions for access to the rail infrastructure and provision of

services which are of public interest. The following Directives are implemented in the Law: 319991L0440; 32001L0012; 32001L0013; 31995L0018; 32001L0014; 31995L0019; 31995L0018; 32002L0049; 32004L0049.

STRATEGIC DOCUMENTS

The Programme for Public Investments is a strategic document of the Government of the Republic of Macedonia for the next three years. The development policy of the Government of the Republic of Macedonia for investing in the public infrastructure of the country in the medium and long-term is based on a dynamic investment activity that is expected to result in optimisation of the use of the existing capacities, reconstruction and modernization of the public infrastructure in function of providing cost effectiveness, higher efficiency and a faster finalization of the ongoing economically justified projects, with regard to the low costs options. The approach towards activities for preparation of the Programme for Public Investments is based on an appropriate methodology for project selection and efficient monitoring of the realization of the programme, as well as achieving consistency of the first year of the programme with the capital expenditures of the state Budget for the same year.

INSTITUTIONAL FRAMEWORK

The Ministry of Transport and Communications is the responsible body for the policy, law proposals and adoption of bylaws in the field of road transport. The Sector for International Investments and European Integration operates within the Ministry of Transport and Communications, which includes the following bodies: Unit for International Investments, Unit for European Integration and Unit for study, analysis and development. The general competences of the Sector for International Investments and European Integration are regulated with the act on the organization of the Ministry of Transport and Communications. The Sector is responsible for coordination of the implementation of international projects and donations, cooperation with international and government institutions from other countries (with the aim to provide necessary information and data for other sectors) and the coordination of the process for EU integration. There are 8 employees in the Sector: Head and Deputy Head of Sector, 2 employees in the Unit for international investments (out of total 6 job positions), 2 employees in the Unit for European Integration (out of total 6 job positions) and 2 employees in the Unit for study, analysis and development, (out of total 4 positions).

The Sector for Land Transport operates within the Ministry of Transport and Communications, and within the Sector, there is a Unit for railways, chairlifts and ski-lifts. In accordance with the systematization of employment posts, the employment of 5 persons is projected for this unit. Currently, the issues relating to rail infrastructure and other related matters are carried out by 3 persons.

Fund for National and Regional Roads

The Fund for National and Regional Roads drafts and realizes the Annual Programme for matters related to the planning, funding, construction, reconstruction, maintenance, and protection of the national and regional roads in the Republic of Macedonia. The Government of the Republic of Macedonia adopts the Programme. The realisation of the Study for restructuring the road sector is in its final phase, with particular emphasis of the introduction of competition for road maintenance. The Study, which is funded by the EBRD, is prepared by a French consultative company BCEOM. Depending on the recommendations that will derive from the study, series of necessary measures will have to be undertaken, including amendments to the legal regulation. It is expected that the implementation of the measures of the Study will contribute towards greater efficiency of the entire road sector, as well as higher quality, stability and adequate funding, particularly in terms of the promotion of market competition in the field of road maintenance.

In order to achieve more efficient payment of the road toll for the use of highways in the Republic of Macedonia, there are recommendations in the Study in the direction of payment separation from the PE "Makedonijapat" and offering a tender under market conditions for an independent operator under certain conditions.

In accordance with the Law on Public Roads, the Fund for National and Regional Roads works on the basis of the Annual Programme adopted by the Government of the Republic of Macedonia from a previously determined and harmonized budget for financing the realization of the annual programme. At the moment, The Fund is financed from the revenues of the central budget (excise on the oil derivatives), own incomes, the fee for the use of roads by foreign vehicles, the fee for road motor vehicles that undergo annual registration, fee for the use of highway, loans from International Financial Institutions, as well as irretrievable funds.

The revenues from the central budget vary, while the other revenues are constant with a mild increase of the incomes from the payment of the fee for the use of highway.

PE "Makedonijapat"

The PE "Makedonijapat" is a public enterprise that, in accordance with the Law on Public Roads, is competent and responsible for the maintenance of the national and regional road network in the Republic of Macedonia. The Public Enterprise signs an annual contract with FNRR regarding its work and activities.

In accordance with the Study on Reconstruction of the Road Sector, certain activities will take place towards amending the existing Law on Public Roads (in a first phase) until the new Law on Public Roads is drafted.

In accordance with the above mentioned Study, certain activities and measures will take place for the institutional enforcement of the FNRR and the reconstruction of PE "Makedonijapat".

PE "Macedonian Railways"

In accordance with the Law on Railways (Official Gazette of the Republic of Macedonia no.64/2005) the financing of the construction, reconstruction, modernization, repair and the maintenance of the railway infrastructure is regulated with a dynamic and flexible national programme for railway infrastructure that is adopted for the period of five years. The National Programme is adopted by the Parliament of the Republic of Macedonia, acting on a proposal by the Government of the Republic of Macedonia, after the adoption of the Fiscal Strategy of the Republic of Macedonia. Based on the adopted National Programme, the manager of the infrastructure in agreement with the Minister for Transport and Communication will prepare an Annual plan for construction, reconstruction, modernization, repair and maintenance of the railway infrastructure.

The financing of the railway infrastructure, in accordance with the law is carried out through means provided from the following sources:

- Budget of Republic of Macedonia for the current year;
- Credits and loans;
- Other sources;

The means for funding the construction, reconstruction, modernization, repair and the maintenance of the railway infrastructure are provided from the following sources:

- Fee on the use of the railway infrastructure;
- Budget of the Republic of Macedonia in amount of at least 0,3% from the planned tax revenues in the central budget of the Republic of Macedonia for the current year;
- Budget units in the local self-government for financing and providing services of public interest in the railway infrastructure;
- Part from the investments from domestic or foreign investors; and
- Means from other sources.

FOREIGN ASSISTANCE

- The following projects have been realized through the programs of the EU in the Republic of Macedonia in the transport sector:
 - Construction of the Highway E75 Gevgelija-border crossing Bogorodica
 - Construction and reconstruction of border crossings Bogorodica and Medjtitlija;
 - Construction of the Highway E-75 Negotino- Demir Kapija phase II and III;
 - Designing a main project for upgrading the E-75 section Demir Kapija-Udovo-Smokvica.
- **Investment options in the transport sector**, project realized through the PHARE programme and the EU
- Studies for transport **TIRS** and **REBIS**, financed through the European Commission. The Republic of Macedonia and the other countries of the region got a clear image on the development of the transport network in the region.

2. SHORT-TERM PRIORITIES

2.1. PROJECTS

By the end of 2007 the project for the construction of the **Ring Road Skopje, I phase, section:** Hipodrom to Shuto – Orizari, (13, 5 km long) will be carried out. The total value of the project is 120.6 million Euros, from which for the phase I – 50 million Euros are provided by the EAR. The completion of the second phase of the project, the Construction of the Ring Road Skopje section Shuto- Orizari- Saraj 12.5 km long is planned in 2008.

The High Level Group on Transport has passed its recommendations to the European Commission, the EU Member States as well as the banks to direct their cooperation and financial activities on the priority axes and horizontal measures determined in its report. The recommendations of the HLG for transport are directed towards: support for continuous process of development of the main axes, concentrated and coordinated implementation of the axes, and realization of the horizontal measures. Activities concerning preparation of the projects or feasibility studies should start for all projects from the priority list number 1 in the report.

SEETO - The implementation will be focused towards generating investments for 145 projects with a total value of over 8 billion EUR that will raise the standards of the main roads, railways, airports and ports on an international level. The work plan for the period of 5 years should finish during the course of 2006.

2.2 STRATEGIC DOCUMENTS

By the end of 2006, the **National Strategy for Transport** is planned to be adopted. The main aim of the policy concerning the transport infrastructure is providing safe and efficient transport services, safety of all traffic participants, rational use of energy, stimulating the regional development and protection of the environment. The main strategic aim is the realization of the institutional reforms in the field of the road infrastructure railways and the civil aviation. The activities for drafting the National Transport Strategy will be undertaken to contribute in the detection of the strategic priorities which represents the base for further work and realization of projects in the transport field.

2.3 INSTITUTIONS

Ministry of Transport and Communications

In the Sector of International Investments and European Integration the vacant positions are planned to be fulfilled according to the systematization of the job positions. By the end of 2006, the services of 3 new employees are planned to be engaged.

PE "Macedonian Railways"

The Agency for Railway Transport is planned to be introduced in the first half of 2007.

During the first half of 2006, in accordance with the Law on Transformation of the Public Enterprise "Macedonian Railways" UnLtd Skopje (Official Gazette of the Republic of Macedonia No 29/05), the transformation of the Public Enterprise "Macedonian Railways" UnLtd Skopje will be completed with the division of the existing Public Enterprise "Macedonian Railways" UnLtd Skopje into two new entities:

- Public enterprise for railway infrastructure "Macedonian Railways" Skopje; and
- Joint Stock Company for Transport "Macedonian Railways Transport" JSC Skopje

3. MEDIUM-TERM PRIORITIES (2008-2010)

3.1 PROJECTS

The second phase of the project Construction of the Ring Road Skopje, section Shuto Orizari – Saraj 12.5 km long, is planned to be finished in 2008.

The High Level Group has identified 5 main axes and determined the number of the projects which are classified in two groups, namely projects whose implementation will begin before 2010 and projects which are of long-term interest (2020). The HLG emphasized the need for further studies and analysis concerning the technical specification, the impact of the environment as well as the financial mechanisms which are needed for the implementation of the projects. The following are the priority axes/projects identified by the HLG for the Republic of Macedonia for realization until 2010:

- Construction of the highway Kumanovo - Tabanovce (15 million euros);
- Construction of the highway Demir Kapija – Udovo- Smokvica (150 million euros);
- Construction of the highway border crossing with Albania – Skopje – border crossing with Bulgaria (832 million euros);
- Reconstruction of the railway connection Tabanovce- Gevgelija, phase I (50 million euros);
- The railway connection Kumanovo- Beljakovce the border with Bulgaria (204 million euros);
- The railway connection Kicevo - Struga the border with Albania (200 million Euros).

For realization after 2010:

- The reconstruction of the railway line Tabanovce- Gevegeliya phase 2 (100 million euros).

Project with regional importance and national priority:

- Construction of a multimodal terminal located in Struga (4.8 million euros).

The calculated values of the sections on the Corridor 10 are taken from the existing feasibility studies, while those of the other sections as recommended by the HLG should be re-examined.

3.2 INSTITUTIONS

In the Sector for International Investments and European Integrations within The Ministry of Transport and Communications employment of 3 new persons is projected in 2007.

According to the Study on the Reconstruction of the Road Sector, measures and activities will be undertaken for strengthening the FNRR and the reconstruction of the PE "Makedonijapat".

4. INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS

Budget number	Institution	2006	2007	2008	2009	2010	Total
13001	The Ministry of Transport and Communications-Sector 3 for International Investments and European Integration		3	0	0	0	6
13001 Total		3	3	0	0	0	6
Total		3	3	0	0	0	6

5. FOREIGN ASSISTANCE

- **Phase I** of the project for the construction of the **Ring Road Skopje** – 50 million euros provided by EIB;
- **JIBIC** (Japanese International Business Investment Corporation) Study on development of the transport network in the Western Balkans. The international community including Japan continues the efforts for achieving sustainable economic development in Western Balkans. The JIBIC Study for a project for the development of the transport network in the Western Balkans will aim at providing material for formulation of JIBIC Strategy for development of the transport network in the Western Balkans, identifying the important projects of the network core as further projects financed by JIBIC as well as exchange of views of the target groups (countries) related to the Japan's financial aid for further implementation of the projects.
- **CARDS Action Plan 2006** –A project from CARDS Project Action Plan 2006 will be realized through cooperation with the International Financial Institutions and a contribution of the EU in the amount of 1.6 million euros. The main aim is to strengthen the social and economic development of the country by establishing an investment portfolio in areas of transport and environment protection, as well as improving the investments climate in the transport sector and approximating the agreements to the EU standards.

3.21.2 TRANS-EUROPEAN ENERGY NETWORKS

1. CURRENT SITUATION

CRITERIA FOR ENERGY PRIORITIES

Regional studies

In the framework of the programme SECI (Southeast European Cooperation Initiative) and the Stability Pact of Southeast Europe, there is an ongoing realization of the Project for Regional Planning of the electro-energetic systems in Southeast Europe (Transmission System Planning TSP), which began in 2001 with the technical support of USAID and USEA (United States Energy Association). The project is realized in two phases and will be finished in 2006.

The project coordinated by the Republic of Macedonia, more specifically by JSC METSO - Macedonian Electro-Transmission System Operator is realized by the experts for planning in the electric power systems in the region.

The primary idea of the Project for Planning of the Transmission Systems is the introduction of regional approach in the practice of planning the transmission networks and creating a common data base for electric power system in the region that would be regularly upgraded and used by the electro-energy companies from the countries of Southeast Europe.

The countries participating in this project are: Albania, Bosnia and Herzegovina, Bulgaria, Macedonia, Romania, Serbia and Montenegro and Croatia. Slovenia and UNMIK joined in the second phase. Greece, Turkey and Hungary also participate in the project.

a) The first phase of the SECI Project

Three goals were successfully accomplished in the first phase:

- Installation of the well known package PSS/E in each country and training of persons who work on the planning of the transmission system;
- Creating a Regional Model of Transmission Network for 2005;
- Preparing a Regional Study for Planning of the Electro-energy Connection in which all possible interconnection projects are reviewed and technically compared. The Study contains 13 scenarios for exchange of electrical power and 12 new interconnection investment options which comprise several hundreds simulation currents of power prepared by PSS/E. The Procedure for priority is based on technical criteria and it is used for ranging of connections-candidates.

b) Second phase of SECI Project

In the following phase of the TSP project, the planning activities are extended to:

- Extending and upgrading of the existing model for 2005 and construction of a model for 2010;

- ### c) Regional model of the electro-transmission network in SEE



Colours:	Status:	
in operation in 2005	I - Idea	FS - Feasibility Study
in operation in 2010	PI - Preliminary Investigations	PC - Preparing Construction
to be investigated	PA - Preliminary Analyses	DC - Decision for Construction
	TS - Technical Study	C - Construction

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Treaty Establishing the Energy Community

The Treaty establishing the Energy Community between the countries of SEE and the EU signed on 25 October 2005 in Athens indirectly organizes the activities of the signatory countries of the Treaty for development of the energy transport systems. For achieving the goals, the activities of the signatory countries also include the establishment of a single mechanism for cross-border transmission or transport of this type of energy and creating energy and natural gas markets with no internal boundaries for all signatory countries of the Treaty, including the coordination of the mutual assistance in a case of serious malfunction of the energy networks.

In the Treaty, the axes and the quantity limits of the import-export of the electrical power and natural gas and all measures with similar influence are declined.

With the signing of the Treaty Establishing the Energy Community, the Republic of Macedonia has accepted the responsibility for gradual liberalization of the electrical power market with the following dynamics:

- For all consumers except the households until 2008;
- For all consumers (including the households) until 2015;

1.2 CURRENT SITUATION IN THE ENERGY INFRASTRUCTURE IN THE REPUBLIC OF MACEDONIA

1.2.1 LEGAL FRAMEWORK

Law on Energy

In accordance with the Law on Energy, the following are included as activities of the energy sector: the transmission and the distribution of the electrical power; the management of the electro-energy system and the distribution system; the organization and management of the electrical power market; the transmission of the natural gas, its distribution and the management of the natural gas transmission system and distribution system. At the same time these activities are of public interest and are carried out in conditions determined by license issued by the Energy Regulatory Commission. The activities in the energy sector include the transport of oil and oil derivatives through oil pipeline i.e. product pipelines, as well as transit of energy and energents and trade with energy and energents. With the amendment of the Law on Energy in June 2005, the market relations in the electricity and energy sector and the natural gas sector are regulated in the direction of de-monopolization, introduction of competitive relations and gradual liberalization with preservation of the public interest through the regulated market segment.

JSC "METSO" is the only license holder for transmission and transit of electrical power, management of the electro-energetic system and for organization and management of the electro-energy market. JSC "EPCM" (after the reconstruction and the registration of the company from September 2005) is the only license holder for distribution of electric power and for the management of the distribution system. PE "GA-MA" is the only license holder for transport of natural gas and management of the transport system.

Law on Transformation of the Electric Power Company Joint Stock Company for Production, Transmission and Distribution of Electricity in State Ownership

In 2000 the public enterprise JSC Electric Power Company of Macedonia (Official Gazette of the Republic of Macedonia no. 19/04 and 91/05) was subject to pre-registration in Joint Stock Company in state ownership (Official Gazette of the Republic of Macedonia no. 80/2000).

In March 2004, a special Law on Transformation of JSC "EPCM" was adopted which regulates the restructuring of the vertically integrated enterprise in two new companies: JSC METSO – owner and operator of the system for transmission and management of the electro-energetic system and market operator and JSC EPCM which owns the assets and carries out the functions of production, distribution and supply with electric power. The Law permits each of the new established companies to further transform through division or/and establish new companies in accordance with the Law on Trade Companies.

This Law regulates the conditions for privatization, according to which JSC METSO will stay in state ownership, while JSC EPCM, i.e. the companies established from it and/or established after its transformation, may undergo a process of privatization by decision or strategy adopted by the Government. In accordance with the Law, the privatization of the JSC EPCM may be carried out: (1) dominantly – to a private strategic investor, through transparent procedure with a public tender that will include a phase of prequalification, and (2) of a smaller part that will not disturb the managing rights of the private investor, to an international financial institution which in accordance with its own founding acts cannot take part in the public tender in competition with private companies.

INSTITUTIONAL FRAMEWORK

Energy Authority

In accordance with the Law on Organization and Operation of State Administrative Bodies, the matters that deal with energy are carried out by the Ministry of Economy, which has the functions of an Energy Authority. Within this Ministry there is a Sector for Energy and Minerals. The Sector for Energy and Minerals within the Ministry of economy is engaged in energy matters in drafting laws, bylaws and other provisions and monitoring their implementation, drafting and adopting strategic development documentation, investment activities, participation and coordination in the realization of international project inside and outside the country.

Energy Regulatory Commission

The Energy Regulatory Commission of the Republic of Macedonia is established and functions from June 2003 onwards as a regulatory body that is independent in its work and in the part of decision-making in the framework of the Law. Each of its 5 members has a mandate of 5 years, and on a proposal by the Government they are appointed and dismissed by the Assembly of the Republic of Macedonia, one by one each year. The functioning of the Regulatory Commission is financed by own sources and means provided through payment of a fee from the total income of the companies that deal with energy and from the granted licenses tax.

The Regulatory Commission ensures for safe, continuous and good quality energy supply, and the improvement of the energy market competitiveness, adopts decisions on the prices on certain types of energy in accordance with the Methodology for pricing, the Tariff systems on certain types of energy and other law regulations and sets the rules for joining the energy networks.

1.3. Economic Structure of the Energy Sector

a) Electro-energetic system

In accordance with the Law on Transformation of the JSC EPCM of 2004 and the Company Law, in the course of 2005 the division of the vertically integrated economic structures in the electro-energetic sector will be finished. By the end of September 2005, the process resulted in establishing four new companies that function today as independent legal entities:

1. JSC METSO, that is responsible for: (1) transmission of electricity and power; (2) management of the electro-energetic system of the Republic of Macedonia; (3) management of the electric power market; (4) supplying direct tariff consumers in the wholesale;
2. JSC EPGM "Electric Power Generators of Macedonia", which carries out the production of the electric power for the tariff consumers in the Republic of Macedonia;
3. JSC EPCM which realizes the functions of (1) distribution of electricity, (2) managing of the distribution system, and (3) supply of Electricity; and
4. JSC TEP Negotino is a separate thermo-energetic production company.

In accordance with the Law on Energy and the licenses issued by the Energy Regulatory Commission in 2005, JSC METSO is responsible for the long-term planning of the transmission network.

b) Gas pipeline system

In accordance with the Law on Energy, the JSC GA-MA functions as the only system-operator which manages the transport system of the natural gas in the Republic of Macedonia.

JSC GA-MA is the license holder for transport of natural gas.

Aside from this PE which only has the obligation to carry out the mentioned activities of public interest, the dominant role on the natural gas market belongs to JSC Makpetrol which is license holder for gas distribution.

1.4 Transport Infrastructure

a) Electro-transmission system

The Macedonian electro-transmission system is interconnected to Greece, Bulgaria, Serbia and Montenegro. The Electro-power system in the Republic of Macedonia is the importer of electric power in a quantity equal to 15% to 20% of the total domestic production which corresponds to the production of the hydro-electric power plants.

The high-voltage transmission network works on four voltage levels: 110 kV, 150 kV (which will extinguish with upgrading to 400kV), 220 kV and 400 kV. The total length of the above overhead transmission lines is around 2000 km.

The backbone of the electricity transmission system is 400 kV voltage level. The ring consisting of three 400 kV overhead transmission lines connects the biggest consumer in the northern part of the country (Skopje) with the biggest production capacities in the southern part (Bitola and Negotino).

The major part of the electricity transmission network is 110 kV high-voltage network with overhead transmission lines with length of more than 1600 km. Its role is connecting the production capacities i.e. 400 kV network with the consumer area i.e. it provides electricity to the distribution network.

In the direction of the *Transport Corridor 10*, the electric power system (EPS) of the Republic of Macedonia is interconnected to 400 kV voltage level in the north with one interconnection line with EPS of Serbia and Montenegro (Kosovo) and in the south with one interconnection line with EPS of Greece.

On a 220 kV voltage level EPS of the Republic of Macedonia is linked in the north with two interconnection lines with EPS of Serbia and Montenegro (Kosovo), but this connection has not been operational since 1999 and up until now a reconstruction of the existing pipelines has not been planned.

On 150 kV voltage level EPS of the Republic of Macedonia is connected in the south with one interconnection line with the EPS of Greece.

In the direction of the *Transport Corridor 8*, there are no interconnections according to the UCTE existing standards. On a 110 kV voltage level EPS of Macedonia is connected in the east with two overhead transmission lines with the EPS of Bulgaria.



b) Gas pipeline system

The gas pipeline system of the Republic of Macedonia is built as part of the Corridor 8.

The capacity of the gas pipeline is 800 million m³ annually. The length of the main gas pipeline is around 98 km, and it spreads from the border with Bulgaria to Skopje.

The distribution network already built is 26 km and a city network is 31.5 km long.

The development of the transport gas pipeline network in the Republic of Macedonia is coordinated by the priorities in (1) the construction of new gas thermo-energy facilities for production of electric and/or heating power and possible conversion of the fuel of the existing facilities; (2) direct supply of the potential consume (industry and households) and (3) connection of the neighbouring gas pipelines for widening, upgrading and development of a transport gas pipeline network in the region and beyond.

c) Oil pipeline Thessalonica – Skopje

The oil pipeline connecting the refinery OKTA with the Thessalonica Port is 212.6 km long and it is used for transport of raw oil and supply of the refinery. The oil pipeline was built in 2002 and it is in the direction of the Corridor 10. The capacity of the oil pipeline is 360 m³/h i.e. 2.5 million tones annually.

2. SHORT-TERM PRIORITIES (2006-2007)

a) Electro-transmission system

Short- term annual planning and investment in the transmission system of METSO is based on the investment program prepared in accordance with the development plans, studies and analysis of EPS for new facilities in the current year and the plans for reconstruction and revitalization of the existing facilities from the electricity transmission network.

In 2006 funds for reconstruction and revitalization of the permanent transmission sub-stations and transmission lines are envisaged. This would contribute towards the improvement of the performance of the electricity-transmission network and would provide reliable supply with electricity power for the consumers.

The project financed by the EBI should finish in 2006/2007.

In the short-term planning of the development of the electricity transmission network of the Republic of Macedonia, new interconnections are planned with the neighbouring electricity transmission networks:

Towards West – as part of the *Transport Corridor 8*: 400 kV interconnection line Stip (Macedonia) – Cervena Mogila (Bulgaria)

Towards South – as part of the *Transport Corridor 10*: 400 kV interconnection line Bitola (Macedonia) – Florin (Greece)

b) Gas Pipeline

1. Extension of the main transport gas pipeline in the direction Skopje –Tetovo- Gostivar- Debar- Ohrid - and Struga for connection with Albania (*Corridor 8*)

The length of the facility will be 158 km, and the capacity 800 millions m³ per year. The planned investment amounts to 45 million euros. The duration of the construction is planned to be 24 months.

2. Distributive gas pipeline towards UNMIK – Kosovo, adjustment of the gas pipeline Skopje - General Jankovic (Serbia and Montenegro) (*Corridor 10*).

The aim of the revitalization of the existing gas pipeline is to provide supply with natural gas of the consumers on the territory of Kosovo.

The length of the gas pipeline is 20 km and the capacity will be 50.000 m³/h. With its characteristics, the gas pipeline belongs to the distributive network category.

The investment is in the amount of 2 million Euros.

3. Construction of a main gas pipeline Klecovce – Negotino (*Corridor 10*)

With this transport capacity, the existing thermal power plant -TEP Negotino (210 MW) will be supplied with gas and would represent a substitute for the crude oil. In addition, the supply of the consumers in the central and eastern part of the country will be provided.

The length of the gas pipeline is 101 km and the annual capacity is 800 millions m³. The total value of the investment is 20 million euros. The duration of the construction is 24 months.

The construction of this gas pipeline is of special importance, considering the context of a wider investment project with which the upgrading of the TEP Negotino will be carried out.

The main priority is to finance the previously mentioned project mainly through foreign direct investments. There is a possibility for funding provided by the Republic of Macedonia with own means obtained through the process of privatization of the JSC EPCM or through payment of the Russian Federation debt.

MEDIUM-TERM PRIORITIES (2008 – 2010)

Transport Infrastructure

a) Electro-transmission system

According to the Study for Development of the high-voltage transmission network for 2005, 2010 and 2020, the additional analyses of the EPS of the Republic of Macedonia as well as the separate feasibility studies for concrete projects, METSO is preparing the Medium-term Investment Programmes.

The Project for Development of the Electro-Energy System of the Republic of Macedonia falls within the framework of the World Bank Strategic Plan for investment in the Energy Community of the Southeast Europe for the Development of the Regional Energy market. The World Bank (WB) identified the project for the financial, economic, sociological and ecological support of the state strategy. In the project preparation phase, the Medium-term Investment Program was proposed by METSO which, after the technical, financial, ecological and sociological assessment was accepted and defined as Project for Development of the Electro-Energy System of the Republic of Macedonia, which was submitted and adopted by the WB Board of Directors.

After signing of the credit by the WB and METSO at the beginning of 2006, the implementation of the Project is about to start. In the meantime, in agreement with WB, the activities of some sub-project have already started as there is an urgent need for their implementation in the EES.

The Project for Development of the Electro-Power System in the amount of 25 million (20.8 million Euros) will be realized within a period of 5 years (from 2006-2010) and consists of the five following components:

1. Extension of the substation Skopje 5;
2. Reconstruction and construction interconnection and overhead transmission line;
3. Upgrading the existing EMS system and the planning software;
4. Upgrading and reconstruction of the existing 110/x kV substations;
5. Support for the institutional development.

The following activities are planned in the sub-project 2) Reconstruction and Construction interconnection and overhead transmission line (OHTL):

1. Construction of a new 400 kV interconnection line Bitola (Macedonia) – Florin (Greece) (part of the short-term projects for 2006);
2. Construction of new 2x110 kV overhead transmission line from TP Bitola 3 to TP Bitola 4 which is planned to be constructed in the period 2007-2008);
3. Reconstruction of the existing 110 kV overhead transmission line TP Skopje 1 – TP Tetovo 1 (which is planned to be reconstructed in the period 2007-2008).

In the Medium-term development planning of the system for electricity transmission network of the Republic of Macedonia, it will be upgraded with two new interconnection lines with the following Electric Power Systems (entered in the Program for Public Investments for the period 2006-2008 as new capital projects).

Towards the North- as part of the *Transport Corridor 10*: 400 kV interconnection line Skopje (Macedonia) – Nis -(Leskovac- Vranje) (Serbia and Montenegro). The planned expenditure on the Macedonian part is 8.880 million Euros.

Towards the east – as part of the *Transport Corridor 8*: 400 interconnection line Bitola (Macedonia) –Vlore (Albania) –Brindizi (Italy). The envisaged expenditures on the Macedonian part are 12 million Euros.

b) Gas pipeline system

Trans Adriatic Pipeline

The construction of the Trans Adriatic Pipeline is infrastructural project which aim is to connect the energy market in Italy and Southeast Europe with the pipeline systems of the Middle East. The pipeline is planned to pass through Bulgaria, Macedonia, Albania and Italy, in the direction of the *Corridor 8*, with total length of 585 km.

The capacity of the pipeline is 8-12 billion m³ annually of which 10 % will be for the countries through which it transits.

In the Republic of Macedonia, the pipeline is envisaged to pass from Delcevo through Prilep to Struga. The length of the route is around 200 km.

The value of the project is 1.2 billion Euros. The project investor is the trade company for gas and electrical power EGL (Elektrizitats-Gassellschaft Laufenburg) with head-quarters in Switzerland.

So far a pre-feasibility study has been prepared, and the Feasibility Study is in its final phase. The construction is planned to last for 2.5 years, in the period from 2006 until 2008. On the 14th of July.2004, the Memorandum for Understanding for realization of the project between EGL and the Republic of Macedonia was endorsed. Similar memorandums have been signed with Bulgaria, Albania and Italy. In the following period a mixed work team will be formed which will determine the detail route and private companies as bearers of the realization will be established.

c) Oil Pipeline AMBO

An important project in the *Corridor 8* is the Trans Balkan Oil Pipeline AMBO. The purpose of this pipeline is to bridge the Balkan Peninsula and consequently to facilitate the transport of oil for the European Oil Industry, between the Black Sea Coast and the Adriatic Sea, avoiding the Bosphorus passage.

The Pipeline is 894.5 km long of which 273 km pass through the territory of the Republic of Macedonia. Four pump stations are planned (2 in the Republic of Bulgaria and 1 in each Republic of Macedonia and Republic of Albania). The capacity is 750.000 barrels daily which means transport of around 30 – 40 million tones of oil annually. The contraction will last for 2.5 years

The investment value is around 1.2 billion US dollars. The means will be provided though financial assistance by IFC of the WB, private investors from USA EX/IM Bank in Washington and EBOR from London.

The project has a feasibility study. On 28.12.2004 the ministers from Macedonia, Bulgaria and Albania signed a Memorandum for Understanding for the construction of the pipeline. In the past period, meetings were held between the state commissions, and the cooperation continues on the protocol of the entering-exiting points and the detailed route.

4. FOREIGN ASSISTANCE

- Project : Construction of facilities from the electric power network (TP Petrovec and 2 x 110 kV two-system OHTL from Vrutok to Tetovo) the finances for 2006 are 5 million euros (METSO) and 1.5 million euros (credit from EIB), and for year 2007, 1.53 million euros (METSO) and 1.5 million euros (credit from EIB);
- Project for development of EPS of Republic of Macedonia financed through own finances from METSO in the amount of 8.060 million euros and credit from the WB in the amount of 19.040 million euros;

- Interconnection line 400 kV TP Bitola 2 (Macedonia) – TP Florin (Greece) and 400 kV overhead transmission line bay in TP 400/110 kV Bitola 2 – with credit from the WB in the amount of 4.49 million euros and METSO 1.48 million euros
- Interconnection line 400 kV Stip (Macedonia) – Cervena Mogila (Bulgaria) and a new substation 400/110 kV Stip: credit from EBOR 31.000 million euros and METSO 5.000 million euros;
- Trans Adriatic Pipeline 1.2 billion euros. The investor of the project is the trade company for gas and electrical power EGL (Elektrizitats-Gassellschaft Laufenburg) with head-quarters in Switzerland;
- The oil pipeline AMBO- 1.2 billion US dollars. The means will be provided though financial assistance by IFC of the WB, private investors from USA EX/IM Bank in Washington and EBOR from London.

3.22 REGIONAL POLICY AND COORDINATION OF STRUCTURAL INSTRUMENTS

One of the top priorities of the Republic of Macedonia is the acceleration of the economic development, increasing the employment rate and reducing the poverty, above all through continuation of the structural reforms, completing the reform processes in every sphere and at all levels by stimulating domestic investments and attracting foreign investments. On these grounds, the production capacity shall enlarge; the employment rate shall grow; the competitiveness of the Macedonian economy and the social status of the citizens of the Republic of Macedonia shall increase.

Being granted candidate status for membership in the European Union, the key activities of the Government of the Republic of Macedonia in the field of the regional policy in the forthcoming period are the following: preparation of a Strategic Coherence Framework (SCF) and Operational Programmes, providing the required institutional framework for managing the EU aid instruments, as well as providing administrative capacity for funds management.

Simultaneously, the Government is working on establishing the adequate legal and institutional framework for national regional development, whereby following the draft-National Development Plan, the first step shall be the adoption of the Law on Regional Development and the National Strategy for Regional Development.

1. CURRENT SITUATION

Statistical framework

The Nomenclature of Territorial Units for Statistics – NUTS in the Republic of Macedonia was adopted by the Government of the Republic of Macedonia in April 2001. In the upcoming period, the Decision on NUTS shall be aligned as a national standard with the Law on Territorial Organization of the Local Self-Government of the Republic of Macedonia from 2004 and Regulation 32003R1059. According to this Nomenclature, at NUTS level I and II the entire territory of the country is one unit (politically-administrative unit). There are 8 units at NUTS level III (statistical region, i.e. non-administrative region) which have been slightly changed with regard to the borders of those units.

The regions at NUTS level III represent solely statistical, non-administrative regions. By establishing an institutional and administrative capacity for conducting the regional policy at a national level, it is planned to institutionalize the conducting of the regional development policy.

Administrative capacity

The administrative capacity of the Republic of Macedonia is being upgraded so that EU assistance could be efficiently implemented; capacity building in terms of adequate structure, human resources, and systems and procedures is indispensable.

The insufficiency of decentralized planning, financial management and control over the projects and programmes of EU assistance at an administrative national level currently performed by the European Agency for Reconstruction, slows down the process of creating administrative capacities for full management of projects/programmes. As a result, the capacities for technical project preparation, financial management, the capacities for implementation of the tender and contracting procedures, as well as monitoring and evaluation capacities are not sufficiently developed. Thus the necessity for establishing a system for coordination of EU assistance through process of strengthening public administration capacities, especially in the analysis of EU policies, medium-term planning as well as strengthening of inter-ministerial coordination and project/programme management.

In that context, during the year 2005 the system of medium-term strategic planning of budget beneficiaries was established and applied.

The Government promotes the readiness for commencement of the process for introduction of the decentralized system for management and implementation of EU funds. The Deputy President of the Government of the Republic of Macedonia, in charge of the process of European Integration and a National Coordinator of Foreign Assistance, for the purposes of consistency and indispensable uniformity, is also the, National IPA Coordinator in accordance with the regulations for decentralization of EU assistance.

In that direction, the Minister for Finance has amended the Rulebook on the Organization and Systematization of the Ministry of Finance regarding staffing of the National Fund and the Central Financing and Contracting Unit. Namely, in the Ministry of Finance two new units were formed, which will strengthen quantitatively and qualitatively.

The Minister of Finance is appointed as the National Authorized Official, and in addition a Deputy National Authorized Official administering the Treasury Sector, has also been appointed along with Head and the personnel of the Central Financing and Contracting Unit. The remaining aspects of the Decentralized Implementation System shall be determined following the initial period of training the necessary staff at the line ministries and institutions where projects are to be implemented through the Decentralized Implementation System.

2. SHORT-TERM PRIORITIES

Within the framework of the crucial short-term priorities, the following activities are planned:

- **Design and adoption of the Strategic coherence framework (SCF) and Operational Programmes**, as the two most important tools for use of IPA funds. SCF as a strategic document for components 3 and 4 (Regional Development and Human Resources Development) shall contain the crucial directing strategies and shall define the common strategy for programme funds in which the two components will have to be complemented and consistent with one another. Therefore, SCF shall provide strategic connection between the priorities of the Republic of Macedonia and the European Union, as defined in the Multi-annual Indicative Planning Document. Regarding the Operational Programmes, required for programming the five IPA components, for component 3, that is Regional Development, it is necessary to prepare operational programs that shall cover the following topics: transport, environment and regional competitiveness.

The first draft of the SCF document is due to be prepared and submitted during the second trimester of this year so that, following the discussion with the European Commission regarding the operational programmes, as a package, it could be finalized before the end of the year. As such, it will enable the adoption of the Decisions of the European Commission starting from the beginning of 2007.

In view of this, the Government by decision shall appoint partners at a central and ministerial level, including contact persons, and the needs for expert technical assistance shall be identified.

- **Design of a National Development Plan**- The design and adoption of this document shall create conditions for design and adoption of Operational Programmes. Although it is not a pre-requisite for using the IPA funds, it is especially necessary since it determines the long-term strategic priorities of the country and in addition, it represents a reference document for the Operational Programmes. The coordinator of the activities for preparation of the National Development Plan is the Ministry of Finance, and as such, it will form an inter-governmental group in which both domestic and foreign institutions, as well as scientific workers, shall be included. Furthermore, cooperation is planned with representatives of business associations, social partners, non-governmental organizations and so forth. It is projected that the National Development Plan shall be adopted before the end of 2006.

Design of a National Strategy for Regional Development – the Strategy is designed as a concept; however its further definition shall depend on the design of the National Development Plan.

Design of a Law on Regional Development - the Law is designed as a draft-law; however its further definition shall depend on the design of the National Development Plan.

Adoption of a decision proposal for NUTS from the State Statistical Office which shall be done in accordance with the Regulation 32003R1059. In the first half of 2006, the Government shall adopt the amendments of the Nomenclature of Territorial Units for Statistics-NUTS.

INSTITUTIONS

With the Decision of the Government of the Republic of Macedonia for commencement of the Decentralized Implementation System of EU assistance, the entire national structure for all phases of the cycle for implementation of EU funds (programming, implementation, monitoring and evaluation) was formed and appointed. In the course of this and the subsequent years, strengthening of the capacities of the National Fund and the corresponding Payment Agency and organisational structures for implementation, as well as Central Financing and Contracting Unit at the Ministry of Finance shall follow.

The Ministry of Agriculture, Forestry and Water Economy commenced with activities for establishing a Payment Agency which in the pre-accession period shall implement the National programme for stimulation of agricultural development and the IPA funds for the component of rural development. The Agency shall operate under the supervision of the Governing institution (Ministry of Agriculture, Forestry and Water Economy). The Establishment Act of the Payment Agency shall be adopted by the Government of the Republic of Macedonia before the end of the year 2006.

The administrative capacity at the central, regional and local level shall be increased.

In accordance with the Decision of the Government of the Republic of Macedonia, the administrative capacity of the Government and the institutions undertaking activities related to regional development shall increase by 180 persons, with dynamics depending on the spatial, technical and other conditions, with adequate training of the existing staff and the newly employed personnel. (In this phase, 80 persons are planned to be employed by 2010, while the remaining after 2010).

The partnership principle shall be fulfilled through cooperation, connection and active participation in the preparation of the acts and projects in the function of regional development at national, regional and local level. This cooperation shall be done at a horizontal and

vertical level, by including business partners, social partners, and non-governmental organizations, especially those that have protection of the environment as part of their programme activities. At an institutional level, the Ministry of Local Self-Government and the Ministry of Finance shall also be involved in the cooperation in view of their competences, while all the other Ministries shall be included through the National Council for Regional Development. Partnerships shall be realized through active cooperation with the councils from the planned regions, the institutions established at a regional level as well as local authorities. In accordance with Article 22 from the Law on Local Self-Government, the local authorities can establish a local network of institutions and agencies that will perform the functions of local development by concluding different types of partnerships, with a special accent of the partnership between the public and private sector, partnership with the business communities and other entities. The process of establishing activities of the partnership shall take place on a medium-term and long-term basis.

In 2006 it is planned to continue and intensify the training for the Decentralized Implementation System (DIS) and for the use of the possibilities that IPA offers, since it is expected that IPA will be adopted and legally established (in adequate procedures) until June 2006. The preparation of the entire Decentralized Implementation System (DIS) shall be completed by 31 December 2006 when the CARDS programme shall cease to exist, and the new programme/instrument IPA (2007-2013) shall enter into force whereby the Republic of Macedonia shall receive full accreditation and the DIS shall become functional in the Republic of Macedonia.

3. MEDIUM-TERM PRIORITIES

Following the introduction of the decentralized system for implementation of EU assistance, it is expected that it is continuously upgraded and advanced, so that it could become an entirely independent system

By the middle of 2007, the partially Decentralized Implementation System of EU Assistance is foreseen to be fully introduced, accredited and functional in the Republic of Macedonia, followed by the fully Decentralized System in a later phase.

Mid-term priority for the Government of the Republic of Macedonia by 2010 is to complete the training for use of the Structural Funds and the Cohesion Fund, and in this manner, the Republic of Macedonia as an EU member will be ready to use the possibilities of the aforementioned funds.

4. INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total
04001	Government of the Republic of Macedonia-state bodies carrying out regional policy	0	30	20	15	15	80
04001 Total		0	30	20	15	15	80
Total		0	30	20	15	15	80

5. FOREIGN ASSISTANCE

It is expected commencement of realization of two parallel CARDS projects for Decentralization of the implementation of the EU assistance, whose beneficiaries are the Ministry of Finance, the Secretariat for European Affairs and the line ministries. Within the framework of these projects, training and preparation of the required internal procedures for functioning of the structures will be performed. According to the plan of the European Commission, they will cover Phase 2 of the introduction of the Decentralized Implementation System of EU assistance. The projects are to be implemented in the period between March and September of 2006. These two projects will be followed by another long-term project for technical assistance, which is expected to begin in September 2006 and last for 18 months. This project is intended to continue the development of the required trainings and procedures for fulfilling the obligations from the Decentralized Implementation System; it will include evaluation of whether the target institutions had accomplished the improvements necessary to meet the criteria of the relevant EU regulations; revision by the European Commission, and it will also include the period for preparation of the initial IPA projects, as well as the commencement of their implementation.

3.23 COOPERATION IN THE FIELD OF JUDICIARY AND FUNDAMENTAL RIGHTS

3.23.1 JUDICIARY SYSTEM

CURRENT SITUATION

LEGAL FRAMEWORK

The following are the basic acts that arrange the judiciary system of the Republic of Macedonia: the Constitution of the Republic of Macedonia, the Law on Courts, the Law on Court Budget, the Law on the Judicial Council of Republic of Macedonia, the Law on Public Prosecutor's Office, the Law on the Bar, the Law on Criminal Procedure, the Law on Litigation Procedure, the Law on Non-Contentious procedure, the Law on Enforcement, the Notary Service Law, as well as other bylaws: Court Rules of Procedure, Rules of Procedure of the Supreme Court of the Republic of Macedonia, Rules of Procedure of the Judicial Council, the Rulebook on the Judges Disciplinary Liability Procedure, etc. All these acts determine the organisation and the competences of judicial bodies, as well as the status of the holders of judicial position.

Having in consideration the detected weaknesses following previously implemented reforms from 1996, the main direction of the current reform of the judiciary system was determined upon adoption of **the Judicial Reform Strategy** along with the **Action Plan** for its implementation in November 2004. The basic objectives of the Strategy are strengthening the independence and increasing the efficiency of the judiciary.

During the period of 2004 and 2005, the following legislative measures and activities envisaged in the Strategy were realised:

The Constitutional amendments were adopted in December 2005, and they will enable crucial changes in the arrangement and operation of the judicial institutions. The appointment and dismissal of the judges and public prosecutors is now solely under the competence of the Judicial Council of the Republic of Macedonia (the majority of its members shall be elected by judges from their own ranks) i.e. the Public Prosecutors Council. At the same time, the amendments maintain the equitable representation of citizens belonging to all communities. The overall efficiency of the courts will be improved as its organisation will be streamlined through field specific specialisations. Furthermore, the amendments empower administrative organs and other organs with public mandate to deliver sanctions based on law and subject them to judicial review. They are of extraordinary importance, because they target institutions essential for the implementation of the *acquis* such as the Committee for Protection of Competition (CPC), regulatory bodies, etc. These provisions are expected to have a positive impact on the enforcement record and a deterring effect, following the necessary amendments to specific laws.

With the adoption of the **Law on Court Budget** in 2003, a new way of financing the judiciary was introduced, which strengthened the independence of the judiciary in the Republic of Macedonia. Under this law, the judicial budget is part of the Budget of the Republic of Macedonia, classified as a separate "Court System" section. This part of the Budget of the Republic of Macedonia is determined in its total amount, in accordance with the criteria decided by the Court Budget Council, on the basis of the fiscal policy and the main categories of projected revenues and expenditures. The Court Budget Council allocates these funds to the courts.

With the adoption of the **Law on Public Prosecutor's Office** in 2004, the Recommendation (2000)/19 of the Committee of Ministers of the Council of Europe "The role of the Public Prosecutor's Office in the criminal and legal system" was implemented. This Law also integrated the conclusions from the GRECO reports and the conclusions from the London Conference on organised crime. The most significant novelties are the appointment of deputy public prosecutors without limit of the duration of their mandate, the establishment of a Council of Public Prosecutors competent for giving positive opinion for appointment of a public prosecutor, and the establishment of a special Unit for Prosecution of Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption. The law also entitles the senior public prosecutor to pass written mandatory instructions to the junior public prosecutor.

In order to make the penal policy more strict and to introduce new incriminations and ways of efficient elimination of organised crime according to the EU legislation, the amendments of the **Criminal Code** from 2004 were directed towards integrating the following changes/novelties: alternative measures of punishment; criminal responsibility of legal persons; criminal and legal institute – *confiscation of proceeds acquired through criminal act*; measures for elimination of money laundering, corruption, terrorism, economic and financial crime, smuggling migrants etc. During the preparation, the following documents were taken into consideration: the reports of the European Committee on Crime Problems of the Council of Europe regarding the measures for eliminating money laundering; GRECO reports in relation to fighting corruption; the reports of the Committee of Experts on Terrorism in relation to the incrimination of terrorism; the reports of the United Nations Centre for International Crime Prevention, regarding economic and financial crime; the Second Protocol to the Convention for Protection of the Financial Interests of the European Union from 1997; the OECD Convention for Prevention of Corruption of Foreign Officials in the International Transactions; etc.

The amendments to the **Law on Criminal Procedure** from 2004 provided for the approximation of domestic legislation to the European *acquis*, other international conventions and recommendations from the reports on the Republic of Macedonia (UN Convention against trans-national organised crime; the European Convention on Human Rights; The Council of Europe Convention on

Laundering, Search, Seizure and Confiscation of the Proceeds from Crime; the Criminal Law Convention for Corruption; The Convention on cyber Crime; The European Convention on the transfer of sentenced persons, with the protocol; GRECO recommendations; The Council of Europe Guidelines on human rights and the fight against terrorism; the recommendations of the European Committee for Prevention of Torture and Inhuman or Degrading Treatment or Punishment). **The novelties** are related to:

- integrating instruments that enable: increase of the efficiency in prevention and suppression of crime; improvement of the quality of investigations and recording of complex and sophisticated criminal activities; improved detection and reporting of the perpetrators, as well as facilitation of the international cooperation in this area;
- for acceleration of the procedure, short terms have been prescribed for adoption of decisions and for undertaking certain process activities. In addition the summoning system was improved in order to prevent against unnecessary delays of the procedure;
- special investigative measures enabling data and evidence collection, necessary for successful conducting of the procedure were introduced along with detailed terms and manner of their undertaking as well as of the effects from the evidence obtained by their application; the role of the public prosecutor and the investigative judge in the procedure was also strengthened;
- mechanisms have been provided for prevention of ill treatment or exceeding the authorizations by the authorised officials and bodies that participate or conduct the preliminary investigative procedure, in cases when they could obtain forced statements from suspects or witnesses;
- new solutions have been prescribed for broadening the measures for securing presence of the defendant during the procedure. The solutions on detention and its duration have been determined in details, according to the severity of the criminal acts. There is also a legal opportunity for introduction of short-term detention not longer than 48 hours, as well as for determining house detention as an alternative to the detention measure, in cases with justified reasons for such a decision;
- the provisions regarding the protection of witnesses, collaborators of justice and victims and the grounds for procedural and extra-judicial protection are a novelty. The opportunity to use modern audio and visual equipment is also provided;
- provisions for temporary seizure and confiscation of assets or property related to the criminal act were introduced;
- in order to simplify and accelerate the procedure in the case of criminal acts for which the prescribed punishment is not so severe, the law includes special chapters, which deal with the deliverance of a verdict without conducting a main hearing;
- the procedure against legal entities (criminal liability) has been developed for the first time, taking into consideration the amendments to the Criminal Code based on the implementation of the international documents;
- the procedure for application of the measure for confiscation of property and proceeds from crime has also been reviewed;
- another novelty is that the criminal procedure completed with an effective verdict may be repeated in the interest of the sentenced, and according to a decision by the European Court of Human Rights, which determines violation of human rights and freedoms; the procedure upon extraordinary legal remedies precisely defined; the procedures for mutual provision of legal aid were introduced, as well as the transfer of sentenced persons and extradition.

The adoption of the new **Law on Litigation Procedure** in 2005 (enforced from 29.12.2005) resulted from the need of further upgrade of the normative decisions of the litigation procedure. The development of more adequate legal mechanisms will enable faster and more efficient action of the courts in the disputes from the personal, family, labour, property and other civil relations, thus, faster legal resolution of the disputes between legal subjects creating greater legal security in that area. The following **novelties** were introduced:

- the position of the court and the parties in the procedure was clearly determined, providing for orderly and timely litigation procedure;
- the principle of material truth in litigation procedure was revised, which means that the burden of proof is the sole responsibility of the parties in the procedure, and not of the court;
- strengthening the principle of concentration in the procedure, providing for mandatory activities to be undertaken by the court and the parties in the exactly determined phases and terms during the procedure. The plaintiff shall be obliged to state all facts and submit all evidences, which determine those facts during submission of the lawsuit. The defendant should provide a response to the lawsuit, hence, eliminating the possibility of initiation of procedures in front of the court with unfounded lawsuits;
- unjustified delay of the procedure shall not be possible with the new legal solution, according to which new facts and evidence cannot be presented in a procedure upon appeal;
- the introduction of order and discipline in complying with the legal authorisations for undertaking certain procedural activities shall be strengthened with fines for the abuse of the judicial authorisations by the parties in the procedure;
- the concept of state of rest of the procedure shall be cancelled, as one of the reasons for extension of the duration of the procedure.
- short deadlines were prescribed for decision making and undertaking certain procedural activities and the summoning solutions were improved, which prevent against unnecessary delay of the procedure;

- the court receives two new verdicts: verdict regarding non-submission of a response to a lawsuit and verdict without holding a hearing;
- there is also an opportunity to repeat a litigation procedure completed with effective verdict upon a decision from the European court of human rights, which determines violation of the fundamental human rights and freedoms.

The basic reason for the adoption of a new **Law on Enforcement** in 2005 was to eliminate the reasons for delay of the process for enforcement of court verdicts in civil cases, as well as enforcement of decisions passed in administrative procedure regarding fulfilment of financial obligation. The objective is increased enforcement efficiency, which could be accomplished by introducing the concept of *Enforcement agent* – a person that performs public authorisations, and conducts the enforcement outside the court due to realisation of the already determined civil rights by courts and administrative bodies, in litigation or administrative procedures. The Law shall enter in force on 26.05.2006, in order to provide enough time for preparation of the bylaws resulting from this law (six from the nine planned bylaws have been adopted), to prepare and administer the enforcement agent's exam, and to appoint the first group of enforcement agents, which shall have enough time to organise themselves and start efficient application of this law. This Law shall regulate the following **novelties**:

- the systemic position of the law is important. Namely, the Law on Enforcement is not introducing another procedure, but it represents enforcement of the already adopted court decisions;
- the concept of courts enforcing their decisions shall no longer be applied. When the period for voluntary fulfilment of the obligation from the adopted effective court decision and the final administrative decision has expired, the decision becomes executive document given by the creditor to an enforcement agent of his own choice, who enforces the same in a manner he considers most adequate;
- the Law introduces the system of enforcement agents. Enforcement agents are persons performing public authorisations and they are situated outside courts. As a type of profession, they completely undertake the enforcement of execution documents. The Minister of Justice appoints enforcement agents, according to a public tender, from the list of persons who have passed the professional enforcement agent's exam and who fulfil other numerous conditions. Enforcement agents are subject to regular supervision over their operation by the Ministry of Justice, they are held responsible in front of a competent Commission, and they must have insurance against damages. Enforcement agents are also subject to continuous education. Enforcement agents must be organised in a Chamber, which shall ensure responsible fulfilment of their authorisations according to the law. Enforcement agents are appointed in the area of one basic court, due to simplified records and control over their operation, however the enforcement actions may be undertaken on the whole territory of the country;
- the Law precisely states the enforcement actions which may be taken by the enforcement agents, and among them there is possibility to deliver the summons, as well as to conduct identification of the parties and participants in the enforcement;
- the Law has removed the possibility to delay enforcement as a result of filed objections and appeals by the debtor, taking into consideration that the debtor must be provided with protection in case of irregularities in enforcement. Namely, the debtor may file an objection only for irregularities during enforcement, unlike the current possibility for disputing the execution document;
- a novelty is also envisaged in the provisions that apply to the special provisions for enforcement over the property of legal entities, due to collection of monetary claim – it is prescribed that the enforcement should be conducted from all available means of the debtor, contrary to the situation so far, when it the enforcement was done only from the debtor's account;
- in the field of enforcement of real estate, precise terms and procedures have been determined for different enforcement actions of evaluation, sale and transfer of the real estate. In addition, protection of the buyer has been prescribed against possible cancelling of the decision for sale of the specific real estate.

INSTITUTIONAL FRAMEWORK

The Supreme Court - The Constitution defines the Supreme Court as the highest court in the country that ensures the uniformity in the application of laws on the part of courts. It exercises the judicial power on the entire territory of the Republic of Macedonia, and its main office is in Skopje. The Supreme Court's competences include: deciding in second instance on its Chambers' rulings pursuant to a law; deciding in third and final instance upon appeals on appellate courts' rulings and its Chambers' rulings brought in second instance pursuant to a law; judging upon extra-legal remedies against final court judgments and rulings of its Chambers pursuant to a law; judging upon conflicts of competence between basic courts falling under jurisdiction of different appellate courts, between appellate courts and basic courts and between different appellate courts, as well as deciding upon handing over the territorial jurisdiction from one court to another.

Appellate courts – Appellate courts are second instance courts. They are competent to decide upon appeals on rulings of basic courts. Besides this primary prerogative, appellate courts are empowered to decide in conflicts of competence between basic courts falling under their jurisdiction and to perform other duties determined by law.

Basic courts - All basic courts are first instance courts and they are empowered to decide in first instance in cases of judicial competence in criminal, civil and non-contentious matters; execution and security; verification of title deeds; misdemeanours (unless provided by law that other bodies decide upon specific types of misdemeanours in customs, foreign exchange, foreign trade and tax issues).

Sixteen basic courts, besides the above mentioned competences, in the territory for which they are established, pursuant to Article 32 of the Law on Courts, are also competent to:

- Adjudicate in first instance and conduct matters in criminal proceedings upon criminal acts for which a sentence of over 10 years of imprisonment is prescribed, and
- Act upon business misdemeanours; property or other civil law disputes in which involved as a party to the dispute is a municipality, the city of Skopje or the Republic of Macedonia, enterprises or other legal entities, shop owners or other individuals who perform registered economic activity; decide in disputes between domestic legal and foreign natural persons, between foreign natural and legal persons; decide in bankruptcy procedures, forced settlement and liquidation and disputes arising therein, disputes concerning status changes (division, merger, incorporation and reorganisation) and execute these court rulings.

They also decide on the legality of single acts in administrative and accounting disputes, on protection against illegal activities and on recognition and permission to execute foreign courts' judgments. Finally, these courts conduct activities of international legal assistance unless other body's competence has been stipulated by law.

The Judicial Council of the Republic of Macedonia - is an independent body of the judiciary, which provides and guarantees the independence of the judicial power. The following is within its competence: appointment and dismissal of judges and judges members of the jury; determination of termination of the function of a judge; appointment and dismissal of the presidents of courts; monitoring and evaluation of the judges' operation; deciding upon disciplinary responsibility of judges; deciding regarding removal of the immunity status of judges.

Public Prosecutor's Office – is the only independent State body that prosecutes perpetrators of criminal and other legally established punishable acts.

Ministry of Justice – conducts functions related to: Judiciary, Public Prosecutor's office and Public Attorney's office; Public Administration; Criminal liability and liability for misdemeanours; notary activities, the Bar and other types of legal aid; inheritance, ownership, property rights and obligations; international legal aid; execution of sanctions regarding criminal acts and misdemeanours; organisation and management of penitentiary and correctional institutions; amnesty and pardon; court expertise; the election system, maintaining records of the right to vote; criminal, misdemeanour, litigation and non-contentious procedure, enforcement, and administrative procedure; administrative inspection. The following are within the Ministry of Justice: **State Administration Inspectorate, Directorate for Execution of Sanctions and Department for Court Expertise** (the last two bodies have the capacity of a legal person).

The Bar – perform the attorney's function and provides legal aid. They are free, independent in their work, according to the law, the acts of the Chamber and the authorisations. They independently decide upon the manner of representation of the rights and interests of the party. **Bar Association** – has the capacity of a legal person, and within the scope of its operation, provides promotion of the Bar as an independent public service, efficient legal aid and performance of public authorisations.

Notary service – is an independent public service for performance of public authorisations, according to law, upon request of the citizens, state bodies, legal persons and other concerned institutions. The public notary conducts its activities in a free, independent, professional and impartial manner, according to the law. The notary conducts its service as a primary professional activity. Notaries on the territory of the Republic of Macedonia are organised within a Notary Chamber of the Republic of Macedonia. The Minister of Justice appoints the notaries. The Minister ex officio is responsible for supervision of the operation of the notary service. The Minister may determine inspection over the operation of the Chamber, notaries and undertake necessary measures for correction and sanctioning the determined irregularities.

For **strengthening the human resources** during 2005:

- the courts employed 144 professional associates.
- The penitentiary institutions employed 51 persons, by means of taking over from the Ministry of Defence.

STRATEGIC DOCUMENTS

The Judicial Reform Strategy with an Action Plan was adopted in November 2004. The Strategy is divided into two segments: the Judicial System and the Public Prosecutor's Office. The Strategy is supplemented with Annexes that contain the basic planned reform activities in the Penitentiary system, Public Attorney's Office, the Bar and the Notary service.

Part One, referring to the judicial system, underpins the importance of judicial independence and impartiality, and increases the level of efficiency. Key points that determine judicial independence are: selection, election and dismissal of judges, training of judges

and financing of the judiciary. Increasing the efficiency assumes changes in several segments of the judicial system that will eliminate the causes for delays such as: weaknesses of the procedural legislation, inappropriate organisational structure of the judiciary, absence of a system for alternative resolution of disputes and the absence of a system that fully covers the judiciary with information technology.

Part Two refers to the Public Prosecutor's Office in all of its segments, stressing the need to improve its constitutional position to provide for a new way of appointing public prosecutors, and raising the level of efficiency of its basic function.

Annex 1 is devoted to the penitentiary system and it contains measures to improve the system of executing penal sanctions, with a special emphasis on alternative measures as a new type of sanctions.

Concerning the reform of the Public Attorney's Office, Annex 2 identifies the need of additional analysis to determine the measures to be undertaken to secure more efficient execution of its main function, i.e., protection of public property.

Annex 3 is dedicated to the reform of the Bar and it contains instruments to improve the status of the Bar as a public service, including professional and ethical standards, its position and cooperation with the courts and other bodies for the purpose of achieving more efficient judicial function.

The envisaged reform activities pertaining to the Notary is laid down in **Annex 4** specifying ways to improve the performance of notaries.

According to their contents, the measures and actions of the Strategy can be divided into: **political actions**, for the purpose of achieving political consensus for the adoption and implementation of the Strategy; **legal measures**, that refer to the adoption of the substantive, procedural and organisational legislation related to the field of judiciary; **financial measures**, that need to create the conditions for the new legislative solutions, as well as for organisational, human resources, IT, technical and other measures and actions pertaining to the level of human resources, equipment and technology for performing the functions of judiciary; **training activities** and a **media-plan for promoting** the basic ideas, directions and measures of the Strategy **to bring in public support for its implementation**.

SHORT-TERM PRIORITIES

a. LEGISLATION

The adopted Constitutional law on implementation of the amendments of the Constitution determines the terms of adoption of the necessary laws for putting into practice the prescribed solutions from the amendments. Namely, the following shall be adopted by 30.06.2006:

- **The Law on Judicial Council of the Republic of Macedonia** – the competence in the process of appointment and dismissal of judges shall be redefined, as well as the position, composition and competence of the body that shall appoint and dismiss judges. One of the most important novelties for ensuring the independence of the Council shall be the appointment of the majority of the members by the judges themselves;
- **The Law on Courts** – solutions for decreasing the workload of the basic courts as first instance courts shall be proposed, with transfer of competences to higher courts as a new type of first instance courts. Furthermore, establishment of an Administrative court shall be proposed, which shall decide in administrative disputes upon lawsuits against administrative acts of the bodies of the State Administration, which shall release the operation of the Supreme court of the Republic of Macedonia of this type of cases;
- **The Law on Misdemeanours** – the constitutional provision according to which for certain misdemeanours determined by law a State administration body or other body with public authorisations may initiate misdemeanour procedure and pass sanctions, exclusively over monitoring of the implementation of the laws that determine the misdemeanours, shall be legally arranged. Having into consideration that the administrative bodies, in their actions, apply specific administrative procedures, the law shall incorporate a provision, which shall allow prescribing different misdemeanour procedure for certain misdemeanour with special laws. Furthermore, in line with the modern trend in the penitentiary reform, a new system of sanctions has been proposed and considering the smaller social significance of misdemeanours – the fine is prescribed as a main sanction, and imprisonment shall be cancelled. A significant novelty is also the establishment of misdemeanours for legal persons, taking into account the new forms of misdemeanours in the field of economy.

The Law on Public Prosecutor's Office (competence, establishment, cancelling, organization and function of the public prosecutor's offices) and **the Law on Council of Public Prosecutor's Office** (competence, composition, structure, mandate of the members, as well as the grounds and the procedure for termination of the function and dismissal of the Public Prosecutor of the Republic of Macedonia and the public prosecutors) shall be adopted at latest 9 months after the day of proclamation of the amendments. The laws that determine that a body of the State Administration or organization and other body that perform public authorisations may pass sanctions for misdemeanour, shall be harmonised at latest 18 months after the proclamation of the amendments.

For the purpose of fulfilling the objective of the Strategy for enabling professional, responsible and independent performance of the function of a judge, as well as creation of a system of initial training and promotion of the system for continuous training of judges and prosecutors, a **Law on the Academy for Training of Judges and Prosecutors** shall be adopted in January 2006. It shall establish a training institution for judges and prosecutors with a basic function – administering initial training for the candidates for judges and prosecutors and organisation of continuous training, i.e. permanent professional improvement. The establishment of the Academy shall provide objective criteria of professionalism, as well as moral and ethic qualities, and it shall enable institutionalisation and raising the level of their continuous training. The Law shall be harmonised with Recommendation No. (94) 12 of the Committee of Ministers of the Council of Europe on the independence, efficiency and role of judges, and with the European Charter on the status of the judges and the Universal Declaration on the Independence of the Judiciary. The establishment of the bodies and the adoption of the acts of the Academy (the Statute, Rules of Procedure of the Managing board, the acts for internal organization and systematization) will be completed in the first half of 2006.

With the adoption of a **Law on Execution of Sanctions** in December 2005, the reform of the penitentiary system is approached as a part of the complete reform of the penal system, for the purpose of improvement of the situation in compliance with the international standards in this field, as well as for the provision of more quality and more efficient execution of the sanctions. **Novelties** prescribed by the law:

- there is emphasis on the improvement of the conditions in the penitentiary institutions and the realisation of the guaranteed rights of the prisoners;
- the Directorate for execution of the sanctions, as a body within the Ministry of Justice, has the capacity of a legal person. In relation to the redefinition of the organisational position of the network of the penitentiary institutions, the law regulates the following: harmonization for operation of the penitentiary institutions in relation to providing necessary conditions for execution of longer sentences in comparison with those applicable at the moment; establishment of another penitentiary institution of closed and semi-open type, in order to ease the burden of the detention and prison capacity; creation of organisational and functional conditions for establishment of a hospital for treatment of prisoners; improvement of the standard of the employees, as well as the working conditions;
- the Law provides for setting up a Training centre for the employees of the penitentiary institutions. Equipment and human resources would be provided for its permanent functioning;
- Practical implementation would be provided for timely realisation of the alternative measures prescribed in the Criminal Code and in compliance with the international standards. For that purpose, cooperation with other State bodies is planned through establishment of the Department for realisation of the alternative measures within the Directorate for Execution of Sanctions.

The Law has been harmonized with the European prison rules – Recommendation No. R(87) of the Committee of ministers of the Council of Europe, the European Convention for the prevention of torture and inhuman or degrading treatment or punishment and Protocols No. 1 and 2 (ratified in 1997), the European Convention for protection of Human Rights, and the UN Standard Minimum Rules for the Treatment of Prisoners (1955).

The **Law on Mediation**, planned for adoption in 2006, shall be the basic legal act, which shall arrange the rules of mediation procedure as an alternative manner for settlement of disputes. The Law on Mediation shall provide better access to justice, reduction of court cases and fast and efficient alternative settlement of disputes (cost effectiveness). The Law on Mediation shall be harmonised with the Recommendation of the Commission (31998X0257) from 30 March 1998, on the principles applicable to the bodies responsible for out-of-court settlement of consumer disputes, Recommendation of the Commission (32001H0310) from 4 April 2001 on the principles for out-of-court bodies involved in the consensual resolution of consumer disputes, UNCITRAL Model Law and the Resolution 35/52, adopted by the General Assembly, on 4 December 1980 and the 35/53 Conciliation **Rules** of the United Nations **Commission** on International Trade Law. A Programme for selection and training of mediators and a Code of Ethics for mediators would be also adopted.

The **Law on Administrative Disputes** planned for adoption in the first half of 2006 would change the current concept that administrative acts could only be subject to court review done by the Supreme Court. This Law shall propose establishment of an Administrative court, which would decide the administrative disputes upon administrative acts of state administrative bodies or other administrative organisations with public mandates. This would lead towards releasing the operation of the Supreme Court in relation to this type of cases.

Apart from the above-mentioned amendments, the legislative part of the Strategy would be completed by adoption of the following acts during the period of 2006 and 2007:

- **Court Rules of Procedure** - the adoption of new Rules of Procedure shall regulate the internal organisation of the courts. Novelties for improvement of case management would be also introduced, taking into consideration that it regulates: manner of operation of the courts; maintenance of the records and other books; administration and keeping of documents and forms; operation upon international legal aid and way to handle complaints and appeals; distribution of

judges and members of the jury; work procedures for court translators, interpreters and experts; maintenance of statistical information; and professional training of human resources.

- **Law on Court Budget** – the objective of the Law is further promotion of the financial independence of Judiciary in administration of the court budget and determination of criteria for financing the Judiciary;
- **Law on Previous and Temporary Measures for Securing the Claims** – with the start of implementation of the Law on Enforcement (becoming applicable from May 2006), the Law on execution procedure shall no longer be applied. In order not to create a legal vacuum in the area of claims the need of adoption of a law on previous and temporary measures for securing the claims is imposed, which shall regulate this field.
- **Notary Service Law** – the new law shall strengthen the position of notaries and shall provide transfer of the undisputed cases from the competence of the courts within the competence of the Notary service.
- **Law on the Bar** – the new law shall regulate the issues regarding: the mandatory training for attorneys; the position and the public authorisations of attorneys; the system of licenses; the responsibility of attorneys regarding abuse of the authorisations in court and other proceedings and the abuse of client's confidence; rules of professional ethic and self regulation; remunerations; internal control. Furthermore, a Programme for mandatory continuous education of attorneys in the field of *acquis communautaire* as well as a Code of Ethics and self-regulatory mechanisms for its application shall be adopted.
- **Law on Resolving Conflicts of Laws with Regulations of Other Countries in Specific Areas** – by adoption of a new law, the old law from 1982 shall be revised and harmonised with the international standards. The new law would regulate the rules for determination of the applicable law on status, family and other legal relations with international element, the rules for competence of the courts, as well as the recognition and enforcement of foreign arbitration decisions.

b. INSTITUTIONS

The new **Judicial Council of the Republic of Macedonia** shall be established after adoption of the Law on Judicial Council of the Republic of Macedonia. According to the new law, the Council shall be competent for the appointment and dismissal of judges and judge's members of the jury, and shall determine termination of the function as a judge. It shall also monitor and assess the operation of judges, decide regarding the disciplinary responsibility of judges, regarding removal of the immunity of judges and temporary removal of a judge from its function, and determine the number of necessary judge vacancies in courts. The Council shall act upon complaints and appeals from legal persons and citizens regarding the operation of judges and courts. According to the Annual plan for 2006, the State Judicial Council envisaged employment of 20 new persons (five of them without status of civil servants). A greater number of clerks and expert associates would be needed having in consideration the changes in the new constitutional position of the Council, considering its organisational structure and its competences.

After the adoption of the **Law on Courts**, and according the planned modalities, reorganisation shall be performed in direction of specialization of certain courts/departments in certain fields (criminal, civil, organised crime related cases etc.). Establishment of an **Administrative Court** is also envisaged, for deciding in an administrative dispute upon lawsuits against administrative acts of the state administrative bodies and other administrative organisations with public mandates.

The organs of the Academy (Managing Board, Director, Executive Director, and Programme Council) shall be established after the adoption of the **Law on the Academy for Training of Judges and Prosecutors**, setting grounds for the start of the operation of the Academy. The premises intended for the Academy are being refurbished at the moment, and budget means for the operation of the same have already been allocated.

A new Public Prosecutor's Council shall be established upon the adoption of the **Law on the Public Prosecutor's Council** towards the end of 2006. The competencies of the Council shall be amended and strengthened, especially regarding the appointment of prosecutors.

In relation to the establishment of an **efficient system for enforcement of civil cases and increasing the rate of enforcement**, with the Law on Enforcement (applicable from 26.05.2006), the enforcement shall be transferred in the competence of the **enforcement agents** –persons with public authorisations. The first enforcement agents shall begin their operation in the second half of 2006. After taking an exam for enforcement agents, they shall be elected and appointed (at least 10), and they shall undergo initial training. Establishment and initiation of operation of a Chamber of enforcement agents is planned, which shall adopt manuals and standards for operation of enforcement agents. Organisational unit (department) for supervision of the work of enforcement agents (4 employees) shall be established within the Ministry of Justice, and the same shall be properly equipped and trained.

For monitoring the operation of notaries within the frames of the Ministry of Justice, a department would be established with four work posts according to the systematisation.

Regarding the **reform of the penitentiary system**, upon the adoption of the Law on Execution of sanctions, the **Directorate for Execution of Sanctions** shall attain the status of a legal person. During the period of 2006 and 2007, in order to fulfil the systematised

work posts in the Office, the Directorate, the penitentiary institutions and the educational-corrective institutions shall employ most of the 350 persons that are needed according to the systematisation. This process started in 2006, with the employment of 88 persons (40 persons have started work, while the other 48 are waiting for approval from the Ministry of Finance for the necessary budgetary allocations for their transfer from the Ministry of Defence).

During 2006, the Directorate for Execution of Sanctions would be strengthened by employing of additional 12 persons. According to the new network of the penitentiary institutions, refurbishment of the penitentiary institutions of Stip, Kumanovo and Strumica, and the facility in Prilep, which would serve as a penitentiary institution for juveniles (relocation of the juvenile prison from Ohrid in Prilep, upon its previous adaptation), would be completed. The adaptation of the second wing of the penitentiary Idrizovo shall be also completed. In order to adapt the juvenile prison in Prilep in 2006 the construction of a fence wall and reconstruction of the faecal sewage is planned. Project documentation for closed institution shall be prepared for the prison in Stip.

Furthermore, suitable premises shall be provided for location of a Training centre for the employees in the penitentiary institutions. The initiation of the operation of the Training Centre would require: IT equipment; development of educational programmes; provision of literature and lecturers for conducting practical training).

Regarding **the completion of the process of introduction of information technology in the judiciary institutions**, until the end of 2006, it is planned to complete the process of introduction of IT technology in courts and public prosecutor's offices through installation of hardware and software. The Government has already provided premises for accommodation of the Centre for IT technology in the Judiciary. It is in process of adaptation, and it is expected to start its operation by end of 2006. Furthermore, a separate organisational IT unit is planned to be established within the Ministry of Justice, with 20 work posts according to the systematisation.

For monitoring the effects of implementation of the legislative changes (the Law on Litigation, the Law on enforcement, the Law on Courts) and obtaining measurable results during 2006, in cooperation between the Ministry of Justice and the State Bureau of Statistics, the system for keeping statistics in courts shall be improved by harmonisation of the Programme for Statistic Research.

MEDIUM-TERM PRIORITIES

a. LEGISLATION

The focus of the medium-term priorities is the complete implementation of the adopted legislative and institutional measures from the Judicial Reform Strategy and the Action plan, as well as the evaluation of their implementation. The direct objective shall be achieving measurable results in improving the functioning of judiciary. In practice, it shall mean evaluation of the effects from the adoption of:

- The Law on Enforcement and the Law on Litigation Procedure – indicators for success shall be the reduction of the time for delivery of a civil verdict; increased rate of enforcement of civil verdicts and establishment of an effective delivery and summons system.
- The Law on Courts, Court Rules of Procedure, the Law on Administrative Disputes and the Law on Misdemeanours – indicators for success shall be the reduction of the backlog of cases in courts; improvement of the case management; increase of the efficiency of deciding upon administrative disputes by the special Administrative court (the cases related to administrative disputes shall be removed from the Supreme court); reduction of the flow of new misdemeanour cases in courts.

These analyses regarding the functioning of the judicial institutions shall be the basis for addressing the remaining weaknesses through amendments of the laws and bylaws. There shall be regular quarterly reports regarding the implementation of the Strategy and analyses for the implementation of the adopted laws.

b. INSTITUTIONS

In relation to the establishment of an **efficient system for enforcement of civil cases and an efficient notary system**, the enforcement agents' IT system would be connected with the Ministry of Justice. Continuous training of employees in the organisational unit of the Ministry of Justice, which is competent for control and supervision over the operation of the enforcement agents and notaries, would be administered.

Regarding the **reform of the penitentiary system**, it is planned to complete some of the initiated activities. The following is projected: adaptation and equipping of the facility for accommodation of a Hospital and its start of operation; a completely functional Training Centre, which should administer continuous training of the employees in the penitentiary institutions; establishment of a functional IT system between the Directorate for execution of sanctions (the penitentiary institutions), the Ministry of Justice and other judicial institutions which shall exchange information; start of renovation and adaptation of the third wing of the penitentiary institution Idrizovo and its equipping.

In relation to the **completion of the process of introduction of IT technology in the judiciary institutions**, the integrated IT system of the judiciary is planned to be completely functional by the beginning of 2008. This shall contribute to the simplification and acceleration of the procedures in front of the courts and more efficient case management, as well as electronic and precise

maintenance of statistics in relation to the input of new cases and the outstanding cases in each body, department and for every employee separately.

INSTITUTION BUILDING REQUIREMENTS

INSTITUTION BUILDING REQUIREMENTS							
Budget No.	Institution	2006	2007	2008	2009	2010	Total
07001	MINISTRY OF JUSTICE	89	6	0	0	0	95
	State Administration Inspectorate	6	2				8
	IT sector (for the central instance)	20					20
	Sector for European Integration	8	4				12
	Sector for International Legal Cooperation	12					12
	Sector for Coordination of the Operation of the Ministry – human resources	4					4
	Sector for International Legal Assistance	4					4
	Sector for Planning, Analysis and Finances	9					9
	Internal Audit	2					2
	Sector for Monitoring the operation of the enforcement agents and notaries, and implementation of the Court Rules of Procedure	12					12
	Sector for Judiciary	8					8
	Sector for State Administration, Election System and Administrative Competencies	4					4
07001 Total		89	6				95
29010	Judicial branch – New Courts * for setting up a new court the necessary average of employees is 70 persons, out of which 20 judges - the number of new courts, which shall be established by the Law on Courts, has not been determined yet. - at the moment, there are no projections for the number of new employees, and how many shall be taken over from the existent courts	0	70*	0	0	0	70
29010 Total		0	70	0	0	0	70
07002	Directorate for execution of sanctions	12	6	6			24
07002	Directorate for execution of sanctions – Penitentiary Institutions	88	69	69	50	50	326
07002 Total		100	75	75	50	50	350
29010	Judicial branch – judicial council	20	0	0	0	0	20
29010 Total		20	0	0	0	0	20
29010	Judicial branch – Academy for training Judges and Prosecutors *From the 12 work posts according to the systematization, 6 persons shall be taken over from the Centre for continuous education of judges, and 6 shall be newly employed	12*	0	0	0	0	12
29010 Total		12	0	0	0	0	12

Total	*There are still no concrete projections for the need of new employees according to the new structure of courts (the stated number includes 70 work posts as a necessary average for stuffing a court)	221	151*	75	50	50	547

FOREIGN ASSISTANCE

For the support of the reforms in the judicial system, there are several ongoing projects that use foreign assistance. Some of the most significant in this field are the following:

- **Project DPK/USAID – Court Modernization Project** (8.500.000USD, January 2002 – December 2005, extended until 2007). The Project for modernization of the courts of the Agency for International Development of the Government of USA has been present in the last four years and includes the following three components: 1) legal structure and practice, in cooperation with the Ministry of Justice (technical assistance by consultants on a short-term basis and institutional expertise by partner institutions from the Republic of Macedonia, Europe and USA); 2) Court administration and management, cooperation with the Council of the Court Budget (financial assistance for procurement of the necessary material and equipment, in order to assist the operation of the court, as well as improvement of the spatial capacities of the pilot courts; contribution towards the completion of the Integrated judicial computer system); 3) Legal training, cooperation with the Centre for continuous education of judges (study visits, seminars and conferences, as well as strengthening of the Centre for continuous education; legal training of the public – introduction of the rights and obligations of citizens Regarding court statistics, a methodology has been prepared and data collection has been performed in relation to criminal, civil, executive and misdemeanour cases from 16 Basic courts. The results from the data analysis shall serve as a basis for determination of the new organizational position of the Judiciary.
- **Project CARDS 2003 regional – Establishing of an Independent, Reliable and Functioning Judiciary and Enhancing the Judicial Cooperation in the Western Balkans** (5.000.000 EUR, December 2004 - July 2007) - the project was realised through four modules managed by 4 partners: 1) Module 1 – Independent Judiciary (Bulgaria); 2) Module 2 – Safe and functional Judiciary (Germany); 3) Module 3 – International and European Judicial cooperation (Slovenia); 4) Module 4 – Introduction of EU Legislation and the EU Judicial system (Italy). Within the frames of each of these modules the projection is to realise training, regional round tables, study visits and missions for technical assistance, with representatives from the Ministries of Justice, judges, prosecutors, lawyers, notaries and members of the Parliament from the countries of the Western Balkans.
- **Project CARDS 2002 regional – Development of a secure and functioning penitentiary system, which respects the basic rights and standards, and enhancing of the regional network connections and cooperation** (1.000.000 EUR) – the project has the objective to contribute to the upgrade of the professional level of the managing professionals in the prison departments, the Ministry of Justice and the Ministry of Internal Affairs and harmonization with the European and international standards in this field, as well as to support the process of legal, institutional and administrative reform for establishment of a secure and functional penitentiary system, which shall respects the basic human rights and standards, as well as improvement of the regional cooperation. Within the frames of this project the following shall be included: 1) the organization and management of the modern penitentiary administration (the basic principles in management, training and education); 2) Standard rules of treatment of inmates, European rules for prisons and their implementation – training of professionals, health care, foreign citizens in detention, accommodation in psychiatric institutions, juveniles deprived of their freedoms, women deprived of freedom.
- **Project CARDS 2001 – Technical assistance for support of development of the Center for continuous education in the judiciary** – phase I (1.037.000 EUR, September 2004 – November 2005) – the objectives of the project cover several areas: institutional, legal and operative conditions for the future functioning of the public judicial institution for training; development of the rule of the law with promotion of the knowledge of judges and prosecutors and strengthening of the independence of the Judiciary; upgrade of the existent Centre for continuous education in the Judiciary and its establishment into a public institution for training of the Judiciary. The Project is composed of four components: 1) Preparation of legislation (preparation of a law for establishment of an Institution for training of the Judiciary); 2) Development of educational programmes for training; 3) Building institutions; 4) Training.
- **Project CARDS 2003 – Technical assistance for reform of the public administration – Judicial administration**, composed in III phases (2.300.000 EUR, September 2005 – December 2006) – is improvement and functional completion of the PHARE Project 2000, in order to complete the IT connection of the judicial bodies in the Republic of Macedonia. The same prescribes the following:
 - Provision of hardware for the judicial institutions in the Republic of Macedonia (900.000 EUR) composed of two parts: 1. Provision of servers, personal computers, printers and lap tops; 2.WAN – Network connection of the judicial bodies; (obtaining functional interoperability of the system through connection of all courts, public prosecutor's offices, the Judicial council and the penitentiary institutions);
 - Equipping the IT Centre in the Judiciary (500.000 EUR);

- Technical assistance – for implementation of the Computer system for legal data base and development and upgrade of the Judicial computer system (900.000 EUR) composed of two components: 1. Implementation of software in the Public Prosecutor's offices in the Republic of Macedonia and in the Judicial Council of the Republic of Macedonia, as well as in the penitentiary institutions, training of employees in these institutions; and 2. Development of a legal data base – LDBIS.
- **Project Alternative Dispute Resolution – The Private Enterprise Partnership for Southeast Europe, IFC (ADR PEP-SE) 2005-2008** – technical assistance for improvement of the access to justice, through introduction of mediation as an alternative dispute resolution. Within the frames of this project the following shall be included: Preparation of a Draft-legal regulation; provision of training for mediators; pilot project in two courts; comprehensive campaign for raising the public awareness; visiting the centre for mediation in the region and in a EU country; conference for alternative settlement of disputes.
- **Project CARDS 2004 –Technical assistance for support of the development of the *Centre for continuous education in the judiciary* – phase II (duration of 24 months)** – this project is continuation of the Project CARDS 2001 assistance for the establishment of the Institution for training of judges and prosecutors and its general objective is the provision of technical assistance and support for the Academy for training and building its capacities for provision of the required services, as well as provision of its sustainability. The Project shall be initiated in May 2006. The strengthening of the capacity of the Academy shall be provided by: development and implementation of a strategy for budget management; design and implementation of an IT system (internet); establishment of a department for legal research and documentation, as well as a library; design and implementation of an evaluation for the efficiency of the Academy (after working 9 and 18 months); organization of at least two visits in other relevant court centres for training in Europe regarding the crucial employees in the Academy.

The following projects shall be realised within the medium-term plan:

- **Project CARDS 2005 Twinning – Support to the Public Prosecutor's Office: Organised crime (planned 1.400.000 EUR)** – oriented towards strengthening the capacity of the Unit for Prosecution of Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption in the Public Prosecutor's Office. The objective of the project is to develop a fully independent Public Prosecution service in the Republic of Macedonia which is well placed to efficiently and effectively exercise the rule of law in cases of organised crime. Specifically, it aims to enable the Public Prosecutor's Office to exercise new powers and responsibilities bestowed upon it in legislation dealing with the investigation and prosecution of organised crime and corruption. Enhanced capacity of the Public Prosecution Office to effectively implement the new Law on Public Prosecution and Law on Criminal Procedures, and established and operational Department for Prosecuting Organised Crime and Corruption is expected.
- **Project CARDS 2006 – *Further implementation of the Strategy and the Action Plan on reform of the judiciary system*** (planned 2.200.000 EUR) – oriented towards support of the development of the penitentiary system. Technical assistance (or twinning) and a part for works/supplies is included.

3.23.2 ANTI-CORRUPTION POLICY

CURRENT SITUATION

LEGAL FRAMEWORK

Republic of Macedonia has ratified the following conventions related to the fight against corruption:

- Criminal Law Convention on Corruption (CoE)
- The Additional Protocol to the Criminal Law Convention on Corruption
- Civil Law Convention Against Corruption (CoE)
- Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (CoE)
- Convention against Trans-national Organised Crime (Palermo Convention) with its Protocols (UN);
- European Convention on Mutual Assistance in Criminal Matters (CETS 030) and its Additional Protocol (CoE);

Republic of Macedonia, furthermore, has signed the UN Convention for Fight against Corruption, in September 2005.

Republic of Macedonia is a member of the Group of States of the Council of Europe for fight against corruption (GRECO), from October 2000. The adoption of the constitutional amendments (07.12.2005) established the legal basis for realisation of the rest of the recommendations of GRECO from the first round of evaluation, which are related to the creation of precisely determined conditions and procedures for appointment and dismissal of public prosecutors and judges. They also provided for the change of the national legislation in order to provide that the Government shall not decide upon the immunity of its members, and to the reduction of the list of persons for which immunity is prescribed.

The Law on Prevention of Corruption adopted in 2002 (amended in 2004) prescribes preventive protection mechanisms against corruption, which is defined as utilisation of public authorisations, official duty, and the position for acquisition of personal gain or gain for any other person. The Law creates the necessary legal preconditions and mechanisms for prevention, i.e. disabling criminal acts

related to corruption, raising the responsibility of the holders of public positions and preventing various opportunities for abusing the position of the holders of public functions for their personal, family or group benefit. More precisely, this Law regulates the measures and activities for prevention of corruption in governing, public authorisations, official duty and in politics, the measures and activities for prevention of conflict of interests, measures and activities for prevention of corruption during the conduction of activities of public interest of legal entities related to performance of public authorisations, as well as measures and activities for prevention against corruption in trade companies.

With the adoption of the Law on Ratification of the Civil Convention against Corruption, according to Article 9 of this Convention, Republic of Macedonia has undertaken a commitment to provide, in the national legislation, appropriate protection against any unfounded sanction against employees disclosing acts of corruption. The Law on Prevention of Corruption contains several provisions serving to protect any citizen or official in the process of disclosing criminal acts (article 5, 18, 19, 20, 21, and 44).

The Law has been completely harmonised with the following EU legal acts: Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests - 41995A1127(03); Convention drawn up on the basis of Article K.3 (2) (c) of the Treaty on European Union on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union 41997A0625(01); Explanatory Report on the Convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union – 41998Y1215(01); and Joint Action of 22 December 1998 adopted by the Council on the basis of Article K.3 of the Treaty on European Union, on corruption in the private sector - 31998F0742.

The criminal repression of the corruptive acts remains in the field of the penal legislation. The corruptive act is incriminated indirectly through the definition of several criminal acts sanctioned in the Criminal Code, such as active and passive bribery, unlawful intermediation, abuse of official position and public authority, unconscientiously performance of duties; concealing the resources of disproportional acquired property; abuse of public, business or military secret. In addition, the criminal code contains articles that define the acts of giving a bribe during elections and voting, and unauthorised reception of gifts as special criminal offences. The act of money laundering and other proceeds from crime is incriminated as a specific criminal offence. The new definition of this offence contains elements which are in compliance with the European Union Directive on Prevention of the Use of the Financial System for the Purpose of Money Laundering (91/308/EEC and 2001/97-EEC amending the previous one), as well as with the following ratified conventions: The Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime; and the United Nations Convention against Trans-national Organised Crime with its Protocols (the Palermo Convention). Apart from this, the Criminal Code determines the criminal responsibility of legal entities and the criminal and legal concept for confiscation of property and proceeds has been determined. The amendments of the **Law on Criminal Procedure** from 2004 introduced special investigative measures, improved measures for securing presence of the defendant during the procedure, witness protection and protection of justice associates and victims, and the procedure for determination of the responsibility of the legal entities and the procedure regarding confiscation of property and proceeds.

The **Law on Money Laundering Prevention and Other Proceeds from Crime** adopted in 2004 provides and establishes an efficient system for organisation and control of the state bodies responsible to carry out measures and actions for discovering and prevention of money laundering and other proceeds from crime. It also regulates the competencies and authorisations of the bodies authorised for conducting an investigation.

The **Law on the Public Prosecutor's Office** adopted in 2004 regulates the procedure for efficient detection and prosecution of the perpetrators of criminal acts related to organised crime and corruption.

The **Law on Financing of Political Parties** adopted in 2004 created conditions for greater transparency, public responsibility, and accountability of the political parties. It enables greater insight and control of all competent bodies in the financial operation of the political parties. This Law regulates the issue regarding the manner and the procedure for provision of financial means, disposal of the operating assets and acting of the political party, as well as the manner of control of financing and the financial and material operation of the political parties. The implementation of the Law on Financing of Political Parties provides a more efficient insight in the manners and sources of financing the political parties, as well as their election campaigns.

The **Law on Public Procurement** adopted in 2004 established precise mechanisms and procedures for procurement of public goods, which out rule discretionary practices in decision-making, and provide transparency in the procedure. In addition, according to the provisions of the Law, a Public Procurement Bureau has been established.

The amendments of the **Law on State Audit** strengthen the existing control mechanisms of state auditing. Besides this, the provisions of this law also stipulate that the Annual Report on Conducted Audits should include data on all material cases of corruption, of which the State Commission for Prevention of Corruption was notified.

In order to raise the level of cooperation a **Guideline on cooperation, between the State Commission for the Prevention of Corruption and the State Administrative Bodies, Public Enterprises, Public Institutions and other legal entities managing with state capital has been adopted.** The cooperation is fulfilled through harmonisation of the activities and measures in the fight against corruption, establishment, coordination and maintenance of communication, provision of technical assistance through exchange of professional, scientific and technical knowledge, as well as by giving information for persons, who are suspects for committed actions with elements of corruption. In the preparation of legal projects of interest for prevention of corruption, it is prescribed that they should be submitted for opinion to the State Commission for Prevention of Corruption.

Public services are accessible for every citizen. The Constitutional principle that every work post should be available to everybody under the same conditions is implemented in the two basic legal acts (the Law on Civil Servants and the Law on Labour Relations), which regulate the manner of employment of public and civil servants. The procedures for selection and employment of civil servants are based on two basic principles: The Constitutional principle of equal access to the work posts and the merit principle - selection according to qualification. Apart from this, in the process of employment of civil servants, the principle of adequate and equitable representation of citizens from all communities shall be applied, in all professions determined by law, with complete compliance with the criteria of professionalism and competence. The rotation of the delicate work posts in the state administration has not yet been introduced as a practice in the Republic of Macedonia, although there are initial steps in that direction. For an example, the Ministry of Defence introduced the rotation of work posts for the members of the Public Procurement Commission.

According to the Law on Prevention of Corruption, the appointed officials, responsible persons in public enterprises, public institutions or other legal entities that operate with state capital, as well as the officials, shall be liable to report their property.

The principles of integrity, accountability and transparency of the state administration are integrated in explicit provisions in several laws:

- The **Law on Civil Servants** determines that civil servants shall conduct works related to the functioning of the State, in accordance with the Constitution or law, in a professional, politically neutral and unbiased manner. The professional integrity is also supported with the principles of impartiality and independence in decision-making process, free evaluation of evidence and protection of the citizen's rights and protection of the public interest, determined in the Law on General Administrative Procedure.
- In context of the implementation of the principles of openness and transparency and participation of citizens in the processes of adoption of the decisions, the provisions from the **Law on Organisation and Operation of the State Administrative Bodies** also apply, which regulate the informing of the public for their operation, as well as providing consultations with the citizens in the process of preparation of the laws and other regulations. Transparency of the state administration shall be greatly strengthened with the adoption of the new Law on Free Access to Public Information.
- The responsibilities of the state administration is assessed through legal mechanisms of supervision by the executive authority, the higher administrative bodies, court control, the Ombudsman, the State and internal audit and through the State Commission for prevention of corruption
- The Law on Civil Servants contains special provisions on disciplinary and material responsibility of civil servants. The internal audit as an important control instrument in a given institution, including financial and legal audit of execution of duties, is important for the efficiency and quality in operation, for the process of decision-making and for the prevention of irregularity and abuse of the position.

Several Codes of Ethics have been adopted for the purpose of regulating civil servants conduct and work: The Code of Ethics for Civil Servants; Police Code of Ethics; Code of conduct of the official persons performing their working assignments in the penitentiary and educational-correctional institutions; The Code of Ethics of Tax officials; The Customs Code; The Code of Medical Deontology; Code of Judicial Ethics; Code of Public Prosecutor's Ethics; Code of professional ethics of lawyers, their professional associates, legal associates and interns.

Measures for raising public awareness regarding corruption as a serious criminal act shall be undertaken by the Government and other State bodies, as well as by the State Commission for Prevention of Corruption, whereas there is also cooperation with the civil sector:

- In order to obtain response from the public regarding cases of corruption, the web page of SCPC (<http://www.dksk.org.mk>), was established, where citizens can inform on the latest activities of the Commission, legal acts, relevant documents related to prevention of corruption, etc;
- The Ministry of Interior opened a free telephone line #199 for reporting cases of corruption of officials;
- The Customs Administration opened a free telephone line #197, enabling citizens to report smuggling, corruption and irregularities in the operation of the Customs Administration;
- The Public Revenue Office also opened a free telephone number #198 for reporting abuse of the professional position of employees in the Office, tax evasion and non-issuing fiscal bills;
- Within the frames of the project "Surveillance over Criminal Procedures on Acts of Corruption Project ", the Ministry of Interior and Transparency Macedonia have signed an Agreement on Cooperation.

- The Ministry of Justice, within the frames of the Project "Strengthening the Responsibility" has signed a Memorandum for Cooperation with Transparency Macedonia for joint preparation of the Law on Access to Public Information and the Law on Conflict of Interests.
- The non-governmental sector shall undertake measures directed towards additional strengthening of the public awareness regarding the risks of corruption. These measures shall be directed towards efficient inclusion in the anticorruption activities, through public reaction and effect of the decisions of the legislative and executive authority, however also an active monitoring of the judicial authority. Mainly, these activities have been realised by the non-governmental organisation Transparency Macedonia, in cooperation with other non-governmental organisations (Association of the Journalists of Macedonia, Forum CSID Macedonia, MCMS, FIOOM, etc), competent state bodies and international institutions and organisations.
- The Coalition "Macedonia without corruption" has been established and it consists of 75 active NGO's. Many of the NGO's have independently started to prepare projects in the field of anti-corruption.

In order to promote the transparency of the public procurements, the Public Procurement Office has maintained a Single register and Sub-register of public procurement since the beginning of March 2005, for the procurement realised by all subjects on the territory of the Republic of Macedonia. This Register is published and regularly updated on the web page (<http://javni-nabavki.finance.gov.mk/>).

Apart from the state bodies and institutions involved in the combat against corruption, the private sector is also involved in context of determination of directions, which would prevent the same from corruptive activities. The initiative for drafting the Code of Ethics in Good Corporate Governance and the Code of Ethics in Business, arising from the new Company Law is aimed at strengthening the responsibility of managers and corporate governance. The development of these Codes of Ethics for companies in order to prevent corruption and encourage companies to contribute to the society they operate in is a step to be undertaken in the forthcoming period.

INSTITUTIONAL FRAMEWORK

The State Commission for Prevention of Corruption is the competent body for application of the measures and activities for prevention of corruption, according to the law. The State Commission has the capacity of a legal entity with its own budget. The members of the State Commission conduct their tasks professionally, and a Secretariat has been established as a professional department for performing the professional, administrative and technical tasks of the State Commission. The State Commission is composed of seven members, appointed from the ranks of distinguished professionals in the field of law and economy, who have acknowledged reputation in their line of work. The Assembly of the Republic of Macedonia is charged with their appointment and dismissal. The Secretariat of the State Commission currently consists of six civil servants.

The Public Prosecutor's Office of the Republic of Macedonia, in 2004, established a Unit for Prosecution of Perpetrators of Crimes in the Field of Organised Crime and Corruption. The Unit has competence to act ex officio in cases of criminal offences, committed by an organised group comprised of at least 3 persons, which acts in a certain period, in order to acquire direct or indirect financial benefit or other type of material benefit, and which shall commit one or more criminal acts, as well as to act upon other criminal acts that are regulated by law with sentence of imprisonment for a period of at least 4 years. The Unit functions with nine persons, from which seven prosecutors specialised in certain field, one counsellor from the judicial structure and one civil servant. Premises and technical equipment have also been provided.

The Police is one of the bodies competent for efficient fight against corruption. In 2003, the Ministry of Interior created a Sector for professional standards, with the task to explore cases of corruption in the police, and the Department for Organised Crime started its work in January 2005. The activities for suppression of corruption and the serious economic crime are carried out within the Sector for Financial Crime, which consists of the Section for economic crime and Section for money laundering and corruption.

With the Law on Financial Police from 2002, for the first time in the Republic of Macedonia, *Financial Police* was established, as a body within the Ministry of Finance, with specific competence (detection of violators of the law, involved in activities related to the most complex types of financial crime, tax evasion, money laundering, smuggling, illicit trade in goods and products or other type of criminal acts that involve non-payment of significant amounts of tax, customs duty or proceeds from punishable acts). This Law provides for separation and transfer of the police surveillance over financial crime from the Ministry of Interior to the Ministry of Finance, whereby a specialised team will trace the money proceeding from criminal activities. The Financial Police consists of ten financial police officers - economists and lawyers, taken over from the Public Revenues Office, the Ministry of Interior and the Public Prosecutor's Office.

The **Public Revenue Office** has established special sectors and special officials were assigned competent for undertaking anticorruption measures. The Sector for Inspection Surveillance has been established within the frames of the General Directorate of the Public Revenues Office (PRO). In each of the six regional directorates of the Public Revenues Office, one employee is authorised for conducting procedures for prevention of corruption, according to the provisions of the Law. The Section for Investigations within the Sector for Inspection Surveillance has the competence to conduct the following tasks: preparation of methodology and instructions for

its application, maintenance of procedures prescribed by law not included in the usual tax procedure (anticorruption measures), organisation of education for investigative techniques and procedure, development and coordination of a programme for identification and fight against grey economy and in that aspect cooperation with the regional directorates.

During the period of 2005, 37 persons were sentenced for criminal acts related to corruption, as follows: 24 for "abuse of the professional position", 7 for "counterfeiting", 5 for "accepting bribe", and 1 for "offering bribe". The relatively small number of acts is explained by experts with the fact that the special investigative instrument has not been provided - interception of communications - mainly because the Law on interception of communications has not been adopted yet.

Training

Within the PAKO-Impact Project of the Council of Europe trainings for the public prosecutors from the Department of organised crime and corruption, judges, members of the police, the Financial Police, the Directorate for Money Laundering and other state bodies related to introduction and implementation of the Criminal Code and the Law on Criminal Procedure have been conducted. New forms of crime have been treated: Organised and trans-national crime, corruption, cyber-crime, money laundering, financial/economic crime, terrorism, and trade in humans, illicit trade in drugs, unauthorised possession, carrying and trade in weapons, as well as confiscation and responsibility of legal entities.

Furthermore, this project conducted seminars for the judicial administration and public prosecutor's office, for the purpose of their introduction to the provisions from the Law on Prevention of Corruption and the obligations arising thereof.

STRATEGIC DOCUMENTS

The State Commission for Prevention of Corruption adopted the **National Programme for Prevention and Suppression of Corruption along with an Action Plan** in 2003. The National Programme contains recommendations regarding the necessary measures and activities that should be adopted in order to establish an efficient system for prevention and repression of corruption. An integral part of the National Programme is the Action Plan for implementation which provides short-term, medium-term and long-term objectives and a system for monitoring and evaluation of its implementation.

During 2005 an Annex to the National Programme was adopted, related to prevention and repression of corruption with measures for prevention and repression of corruption within the frames of the local self-government, with an Action Plan.

SHORT-TERM PRIORITIES

a. LEGISLATION

The UN Convention against Corruption should be ratified during 2006, while the OECD Convention on Combating Bribery of Foreign Public Officials in international business transactions shall be signed at the end of 2006.

The amendments to the Law on Prevention of Corruption shall be adopted at latest in the second quarter of 2006, and they shall determine the manner and the procedure for appointment of members of the State Commission, who conduct their function professionally within a mandate of 5 years.

The Law on Conflict of Interests shall be adopted at latest in the beginning of the second quarter of 2006. The measures and activities for prevention shall be determined in details and cases shall be determined when there is conflict of interests during the performance of duties of public interest. At the same time, measures for sanctions of the same shall be determined.

A new Law on Financial Police is being prepared with the purpose to contribute to overcoming the current problems encountered by the financial police in its competences related to the fight against criminal activities. This law especially tackles the problems of overlapping of competencies and exchange of information between the Financial Police, the Customs Administration, the Public Revenue Office, and the Ministry of Interior (having in consideration that all these bodies gained equal authorisations in the pre-investigative procedure, according to the latest amendments to the Law on Criminal Procedure).

The Law on Free Access to Information of Public Character shall be adopted in January 2006. It is expected that the implementation of this law shall contribute to the improvement of the current situation regarding the fight against corruption, which shall provide greater publicity and transparency in the operation of holders of information, as well as insight of the citizens in the information of public nature. The monitoring of the implementation of the Law on Free Access to Information shall be conducted by a Commission for Protection of the Right to Free Access to Information of Public Character, composed of five members, with a mandate of five years and right to re-election. The Commission shall be established within 30 days from the day of entering in force of the law.

The Law on Notary Service shall be amended until the end of 2006, by incorporating a legal obligation for reporting information regarding corruption.

For the purpose of implementation of the GRECO recommendations contained in the Reports for the Republic of Macedonia and addressing the priorities prescribed by the European Partnership 2005, the following short-term measures should be undertaken:

- Completion of the procedure for revoking the immunity of the members of the Parliament of the Republic of Macedonia, with amendment to the Rules of Procedure of the Parliament and Committee on the Rules of Procedure and Mandatory and Immunity Issues of the Parliament;
- Preparation of a Project for implementation of the new legal regulation for confiscation and seizure of the crime proceeds and related issues, including establishment of guidelines and comprehensive training of the authorised officials;
- Initiatives to increase public awareness of the Ombudsman as a potential mechanism for processing complaints related to corruption in the public administration (having in consideration the small number of complaints in the field of corruption);
- Introduction of provisions in the Codes of Ethics for all public officials to report suspicion of corruption;
- Analysis of the need to amend the Criminal Code regarding the accountability of the legal entities for trading of influence in accordance to Article 18 of the Criminal Law Convention on Corruption ;
- With purpose to improve transparency in making public decisions and in the management of state assets (including state owned land, concessions and public procurement), clear and precise rules and uniformity in the procedures shall be introduced, as well as provisions on transparency in management and sale of state-owned land for construction and sale of other state-owned assets. Furthermore, a Methodology shall be established for determination of risk elements ("triggers") of corruption during public procurement;
- Implementation of the plan for restriction of discretionary rights of public officials, according to the report on discretionary rights;
- Introducing provisions in the election legislation on mandatory publishing of reports and on financing of election campaigns of the political parties, on SEC and SCPC web sites.

b. INSTITUTIONS

During 2006, the Secretariat of the State Commission shall be strengthened with seven new employees. The same number of employments is planned for the year of 2007. Training of the employees and newly employed shall be conducted in the Secretariat in relation to use of the special software for keeping records, updating and inspection of the survey forms declaration of assets with the purpose of increasing professionalism and efficiency in the operation of the State Commission.

An inter-ministerial governmental body shall be established during 2006 for coordination of the activities against corruption.

For the purpose of determination of the phenomenon of corruption in the main fields of public life (the police, education, health, judiciary, customs, etc) and establishment of efficient preventive and detection measures, a project shall be prepared, which shall offer concrete data and indicators for scoping of corruption in key areas of public life.

For recording the property and inspection of the survey forms regarding declaration of assets, the Public Revenues Office and SCPC shall be strengthened with new employees. Furthermore, a database shall be created in the Public Revenues Office for updating the records related to property.

Training

The following types of trainings and focus groups shall be short-term priorities:

- Trainings of officials regarding confiscation and seizure of proceeds from criminal acts;
- Training of civil servants regarding reporting suspected cases of corruption;
- Specialised training of public prosecutors, judges, members of the police regarding activities related to corruption;
- Training of employees for improving the internal audit in the public sector.

MEDIUM-TERM PRIORITIES

Measures and activities would be elaborated under the following focus fields:

- Further implementation of the Strategy for the fight against corruption and enhancement of awareness-raising initiatives in the administration and among the public at large. Ensuring effective implementation of measures and legislation adopted to fight corruption.
- Development of a methodology and operation of a system for collecting and sharing intelligence and for mutual access to databases.

INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget No.	Institution	2006	2007	2008	2009	2010	Total
02003	STATE COMMISSION FOR PREVENTION OF CORRUPTION	7	6	5	0	0	18
02003							
Total		7	6	5	0	0	18
	Total	7	6	5	0	0	18

FOREIGN ASSISTANCE

Project of the Council of Europe: Implementation of the plans for prevention of corruption in Southeast Europe PACO-IMPACT (March 2004 – July 2006; 1.500.000 EUR) – oriented towards facilitating implementation of the anticorruption plans and strategies (implementation of the laws; prevention; raising the public awareness of the citizens and their participation in anticorruption efforts). The State Commission for Prevention of Corruption is coordinator of the project, while the Ministry of Justice and the Public Prosecutor's Office of the Republic of Macedonia – the Department for prosecution of perpetrators of criminal acts in the field of organised crime and corruption are involved in the project. Within the project, there is ongoing research of the level of corruption in the Republic of Macedonia, which is conducted through the Institute for Sociological, Political and Juridical Research. The results from the research are expected in March 2006.

3.23.3 FUNDAMENTAL RIGHTS

CURRENT SITUATION

LEGAL FRAMEWORK

Basic human rights and freedoms, recognised in international law and determined by the Constitution of the Republic of Macedonia constitute a fundamental value of the constitutional order of the Republic of Macedonia. In line with the commitment to respecting and promoting human rights and freedoms as a basis for the development of democracy in the country, the Republic of Macedonia is a party to numerous human rights instruments of the United Nations and the Council of Europe. International human rights conventions are ratified by the Assembly of the Republic of Macedonia in accordance with the Constitution of the Republic of Macedonia, and as such, they are part of the domestic legal order and may not be changed by law (Article 118 of the Constitution of the Republic of Macedonia).

Republic of Macedonia has ratified the following relevant instruments in the field of human rights, which are part of the *acquis* of the European Union:

- The European Convention for protection of human rights and fundamental freedoms with all protocols (CoE);
- The European Convention for the prevention of torture and inhuman or degrading treatment or punishment (CoE);
- The European Social Charter (the Annex Protocol to the European Social Charter and the Protocol amending the European Social Charter) (CoE);
- Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data (CoE);
- Framework Convention for the protection of national minorities (CoE);
- International Covenant on civil and political rights (Facultative Protocol to the International Covenant on civil and political rights and the Second additional protocol to the Pact for Abolition of the Capital Punishment);
- The International Covenant on economic, social and cultural rights (UN);
- Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (UN);
- International Convention on the elimination of all forms of racial discrimination (UN);
- Convention on the elimination of all forms of discrimination against women (Optional Protocol to the Convention for elimination of all forms of discrimination) (UN);
- Convention on the Rights of the Children (UN);

The Constitutional and legal framework are aligned with the **European Convention for Protection of Human Rights and Fundamental Freedoms and Additional Protocols**, which is in force in the Republic of Macedonia since April 1997.

In the second half of 2004 the **Criminal Code and the Law on Criminal Procedure** were amended for their harmonisation with the European legislation and international conventions. These amendments also ensured compliance with the recommendations from the reports on the Republic of Macedonia (the European Convention on Human Rights; the basic guidelines on human rights and the fight against terrorism of the Council of Europe; recommendations of the European Committee for the prevention of torture and inhuman or degrading treatment or punishment). The Criminal Code integrated provisions for functioning of an alternative punishment;

incrimination of domestic violence; incorporation of criminal liability of legal persons; establishment of a criminal – legal institute – confiscation of proceeds acquired by a criminal act. One of the main intentions of the amendments of Criminal Code was also provision of the right of trial with undue delay. Furthermore, these amendments introduced measures for the prevention of money laundering, prevention of corruption, efficient measures related to the incriminations for terrorism, measures for the prevention of economic and financial crime and smuggling migrants.

The amendments to the **Law on Criminal Procedure** from 2004 introduced mechanisms for efficient prevention and fighting of crime, improved solutions for delivery, thus preventing unnecessary delays of the procedure. The provisions for special investigative measures, witness protection, as well as detention and its duration were also determined in details.

The principle of equality of citizens before the law and the right to equal legal protection are integrated in article 9 of the Constitution, which contains the anti-discriminatory clause, according to which, the citizens of the Republic of Macedonia are equal in their freedoms and rights, regardless of their gender, race, skin colour, national and social origin, political or religious conviction, property or social status. After the signing of the Framework Agreement from 2001, the Constitution of the Republic of Macedonia from 1991 was amended in direction of strengthening the guarantees for protection of minorities, thus, apart from the principle of non-discrimination, a principle of equitable representation of communities was also introduced.

Prohibition of torture, inhuman or degrading treatment or punishment, slavery and forced labour are encompassed within the frames of Article 11 of the Constitution, which guarantees inviolability of the physical and moral integrity of a person. The definition of torture from international conventions has been completely implemented in Article 142 of the Criminal Code of the Republic of Macedonia. The Law on Criminal Procedure, the Law on Execution of Sanctions, and the Law on Public Prosecutor's Office include precise rules for prevention against torture, inhuman or degrading treatment or punishment by the police, judicial bodies, prosecution and the prison system. This set of laws also clearly prescribes legal remedies for victims, inspection measures and sanctions for exceeding competencies. A comprehensive legal framework for prevention of torture and degrading treatment has been established, and the officials have been accordingly trained for its implementation. Approximately 6000 police officers have attended human rights training, and there are no reports for systematic abuse of authorisations. Here, the role of the Sector for professional standards in the Ministry of Interior should be emphasized, which has facilitated its activities in detection and sanctioning (disciplinary and/or criminal liability) of cases of unprofessional treatment of police officers.

The right to freedom and personal safety is guaranteed in Article 12 of the Constitution, through the inviolability of human freedoms and through determination of cases and conditions that limit the freedom of the person accused of a criminal act. The Constitution considers the right to freedom as inviolable right, i.e. right that cannot be willingly limited. According to the Constitution, **apprehension without a warrant** is prohibited. Nobody may be apprehended or detained without a court warrant in written form. Every apprehended person has a right of complaint in front of the court, which decides for the legality of the reasons for apprehension, while the person must be immediately informed of the reasons for apprehension. The duration of **detention before trial** is precisely determined by law, with guarantees for the person deprived of freedom, according to international standards. The amendments of article 17 from the Constitution of the Republic of Macedonia in 2003 set grounds for amending the Law on Criminal Procedure, conducted in September 2004, which comprehensively define the use of special investigative means by the police.

Free legal aid according to the Law on Criminal Procedure and the Law on Civil Procedure is available in cases of criminal and civil law, and it is especially regulated in the Code for professional ethics of the Bar Chamber. Namely, the right of a defence attorney is a constitutional category, guaranteed already in the police procedure. The defendant in the criminal procedure has the right to defence, with or without a defence attorney, by his own choice, and if the person does not have assets to pay for a defence attorney, he/she is appointed an attorney free of charge, in the interest of justice. This right is not an absolute right, because the defendant can only choose an attorney for the defence. The Law on Criminal Procedure determines the cases where the defendant must have a defence attorney appointed by the court, in case the defendant fails to choose (if the defendant is mute, deaf or incapable to successfully defend himself, if there is a criminal procedure against him for a criminal act for which the law has determined a sentence imprisonment for a period of 10 years or life imprisonment, if detention is determined or the defendant is tried in absence). The defendant may be exempt from payment of the fee for the officially appointed defence attorney, if by payment of the costs there is risk to the personal welfare and the welfare of its family. In this case, the fee is borne by the State Budget. Free legal aid may be granted to the defendant even if there are no conditions for mandatory defence, in case the procedure is related to a criminal act for which the law prescribes a sentence of imprisonment of over 1 year. In this case, upon his/her request, the defendant may receive a defence attorney, if according to his/her property the defendant is not able to pay the fees for the defence. The President of the Council decides upon this request, and the president of the court appoints the defence attorney.

In the area of civil law, free legal aid is regulated with the Law on Civil Procedure, which prescribes a so called "the poor/indigent right" as a relief for the participants in the procedure. The Law prescribes that the court releases the party from payment of the fee for the procedure, if the party according to his/her property situation cannot pay these fees without causing damage to the welfare of his/her family. In the process of adoption of the decision for releasing from payment fees for the procedure, the court carefully reviews all the conditions, especially taking in consideration the value of the subject of the dispute, the number of persons within the responsibility of

the party, and the income of the party and its members of the family. In this procedure, the court may appoint a proxy from the rank of attorneys. Upon request of the party, when it is released from the fees for the procedure, the court appoints a proxy – attorney, if deemed necessary for protection of the rights of the party. Starting from the constitutional position of the legal profession in the Republic of Macedonia, defined as a public service that provides legal aid and performs authorisations according to the law, free legal aid has been prescribed in the Tariff for rewards and remuneration of the fees for the work of the attorneys. Likewise, it determines that to the party, who according to the law may be released from payment of the fees for the procedure (the poor right), the attorney is obliged to provide free legal aid.

The right to respect for private and family life and the inviolability of the home is guaranteed with several articles from the Constitution. Article 25, in a general manner, guarantees the respect of privacy of personal and family life of the individual and its dignity and reputation. The freedom and privacy of correspondence and all other forms of communication is guaranteed with article 17, which provides for derogation from confidentiality only regarding letters. In order to provide for the introduction of certain special investigative measures for the fight against organised crime, as already stated, in 2003 this article of the Constitution was amended. Article 17 now allows, based on a court decision, under conditions determined by law, derogation from the right to inviolability of all forms of communication, when necessary for the purpose of prevention or detection of criminal acts, for the criminal procedure or when it is required by the defence. The adoption of the **Law on Interception of Communications** is in its final phase, in parliamentary procedure, which would complete the legal frame for the application of this investigative measure and an adequate legal control of this authorisation.

In relation to the **protection of personal data**, as one of the fundamental freedoms and rights of individuals, Republic of Macedonia has positively and legally determined, in Article 18 of the Constitution a guarantee for the safety and confidentiality of personal data and protection against violation of the personal integrity of citizens, arising from registering information through data processing. The Law on Personal Data Protection, which entered into force as of February 2005, determined the legal and institutional framework for protection of personal data in the Republic of Macedonia. The Law is compatible and harmonised with the Directive on Protection of individuals with regard to personal data processing and free movement of such data (31995L0046) from 1995, as well as the EC decision from 27 December 2004, amending the Decision 2001/497/EC related to introduction of standard contractual clauses for transferring personal data in third countries (32004D0915). It is also harmonised with the Convention on protection of persons related to automatic personal data processing No. 108 of the Council of Europe from 28.01.1981, which has been ratified by the Republic of Macedonia. The Law prescribes the establishment of a Directorate for personal data protection as an independent state body authorised to control and supervise the protection of personal data. The Directorate employees are authorised to enter any premise (both the public administration and private sector), have access to stored data for supervision and are authorised to examine the data protection equipment. The supervisory procedure and the available measures are clearly determined with this Law. If a breach of the legislative provisions has been determined, the controller is authorised to ensure compliance with the requirements, block the additional processing and transfer of data and to delete the data for which authorisation is missing. Against the decisions of the Directorate, an administrative dispute can be initiated. According to the Law, the Directorate has to prepare and submit annual report, which is available to the public. Data processing in the country may be conducted for actual, clear and legally determined purposes. Processing of the special categories of data is prohibited, except for cases determined by law. The rights of the subject of the data have been determined regarding insight in the data and amendment or deletion of personal data, if they are not correct, i.e. they are unlawfully recorded or they are maintained after the determined period and a procedure for realisation of the right to protection has been instituted. Procedures for transfer of data in other countries and protection requirements in all phases have also been established. It is prescribed to maintain a Central Register, to inform citizens about collections and the person authorized to store their personal data. The Controllers inform the Directorate about the personal data collections carrying special risk for the relevant data holder (biometrical data etc). The Law on protection of Personal Data also prescribes a criminal procedure and appropriate fees in cases of breach of its legislative provisions. An institutional framework has been provided with establishment of Directorate for Protection of Personal Data, which conducts administrative supervision over the lawfulness of personal data protection, and maintains the Central Register for collections of personal data processing. The following rulebooks have been adopted in order to completely determine the legal relations in this area: Rulebook on the technical and organisational measures for securing confidentiality and protection of personal data processing; Rulebook on the manner of maintenance of records and the form for recording the personal data collections; Rulebook on the form, contents and the manner of maintenance of records for realised transfer of personal data in other countries; Rulebook on operations for personal data processing, which represent a special risk to the freedoms and rights of personal data subjects; and Rulebook on the form, contents and the manner of maintenance of the Central Register.

Article 19 from the Constitution guarantees **the freedom of religious confession**. The Constitution and the Law on Religious Communities and Groups freely and publicly guarantee expression of religious beliefs, individually or together in a community. The right to freedom of conscience, thought, public expression of thought and religious belief, together with some other rights, according to Article 54 from the Constitution cannot be subject to limitation and discrimination based on gender, race, colour of skin, language, religion, national or social origin, property or social status. The limitation of freedoms and rights may not apply to the freedom of confession, consciousness, thought, public expression of thought and religious belief.

The Constitution, in Article 16, guarantees the freedom of **public expression of thought, as well as the freedom of speech, public expression and public information**. In line with the basic approach that the exercise of freedom of expression may not be at the expense of freedoms and rights of other persons, the Criminal Code sanctions as criminal offences the following conducts: libel, insult, disclosure of personal or family circumstances, derogation as general criminal acts and their specified forms, i.e. the same deeds when committed through the media. Some of the amendments of from 2004 were realised for the purpose of harmonisation of legislation with the European standards in this field. Namely, according to article 172, paragraph 1 from the Criminal Code related to the criminal act libel, a person, who asserts an untrue fact in relation to another person which is damaging for that person's honour or reputation, shall be punished with a fine or with imprisonment of up to six months. Pursuant to Article 172, paragraph 4, the defendant shall not be punished if he/she proves the truth of his/her statement or if he/she proves that he/she had reasonable grounds to believe in the truthfulness of what he/she stated. This provision has been included in the Criminal Code upon a recommendation of the Council of Europe and has been acknowledged in numerous rulings of the European Court of Human Rights. However, recognising the fact that freedom of expression is a necessary aspect of fulfilment of one's potential, the Criminal Code provides for exemption from incrimination of insulting statements in several areas. These include scientific, literary or artistic work, in serious critique, in line of duty, journalist work, political or other societal office, in protection of the freedom of public expression of thought or of other rights and in protection of public or other justified interests, if it follows from the manner of expression or from some other circumstances of the act, that it has no significance of insult or has not resulted in considerable damage to honour and reputation of personality (Article 176, paragraph 1). Similarly, the Criminal Code stipulates that a person found guilty of such an act is released from conviction if he/she has apologised to the injured party or has revoked before the court what he/she had stated or disseminated. Prosecution of the aforementioned criminal offences is undertaken upon a private suit. (This provision has also been included in the Code upon a recommendation by the Council of Europe). Another characteristic of the amendments to the Criminal Code related to the stated criminal acts is individualisation of the sentences, i.e. the fine in daily rates, the number of which may be at least 5 and at most 360. Article 20 of the Constitution guarantees the **freedom of association of citizens**, for the purpose of realisation and protection of their political, economic, social, cultural and other rights and beliefs. The Law on Associations of Citizens and Foundations from 1998 regulates the manner, conditions and the terms for establishment, registration, operation and termination of the associations of citizens and foundations.

The Constitution prohibits any form of **discrimination**, with a guarantee for equality of freedoms and rights, regardless of the gender, race, skin colour, national and social origin, political and religious conviction, property and social status. Homosexuality was decriminalized in 1996. The new **Law on Labour Relations** prohibits discrimination based on sexual orientation. Furthermore, the new amendments to the **Law on Military Service in the Army of the Republic of Macedonia** from 2005, delete homosexuality as violation of the military discipline.

The rights of children are contained in Article 42 from the Constitution, and article 40, paragraph 4, which prescribes special protection of children without parents and children without parental care. The national legislation specially protects the rights and interests of children in the Criminal Code, the Law on Criminal Procedure, the Law on Misdemeanour Procedure, Family Law, and the Law on Social Protection, the Law on Labour Relations, the Law on Execution of Sanctions, and the Law on the Protection of Children. Within the Office of the Ombudsman, a special department has been established for protection of the rights of children, which is a member of the European network of Ombudsmen for children. Promotion of children's rights in the family and legal relationships, according to the provisions of the Convention on Children's rights, is a novelty in the amendments of the Family Law from 2004. Furthermore, for the purpose of protection of the rights and interests of children, the law explicitly determines the behaviour of a parent considered as abuse or severe neglect of the parental right. The Law also extends the type of non-institutional forms of protection, by opening day centres for sheltering children with intellectual or physical challenges and homeless children. Fourteen day -centres have been established until the first half of 2005. A significant novelty is the introduction of the right to financial assistance until 16 years of age to a person who, until 18 years of age, has had the status of a parentless child.

STRATEGIC DOCUMENTS:

Apart from the legal framework, the area of human rights is regulated with numerous strategic documents, which determine the direction of development in this field. Among the most significant in relation to human rights are the following:

- **The National Action Plan for Children** in the Republic of Macedonia from 2005 determines standards for provision of protection and improvement of the conditions for equal exercise of the fundamental rights of children.
- **The National Youth Strategy of the Republic of Macedonia** adopted by the Government of the Republic of Macedonia in 2005 is a comprehensive regulation of the needs and problems of young people at the age from 15 to 30 years. This strategy applies to the realisation of social development through a quality educational system for young people, economic development through employment of young people, social participation of young people, quality of life, quality of health and prevention and development of a local youth service.
- **The National Programme for Fight Against Trafficking in Human Beings and Illegal Migration** adopted by the Government in February 2002, prescribes activities for research of the reasons that influence trade in humans and illicit migration in the country and the region, detection of perpetrators of criminal acts, the manner of their action and the relation with the international groups and individuals. It also prescribes measures for preventive action and prosecution of perpetrators at all levels, as well as measures for protection of the victims from these activities. **Strategy for**

Combating Illegal Immigration and Trafficking in Human Beings, with a corresponding Action Plan will be adopted in March 2006. The Strategy is a follow-up of the corresponding Programme adopted in 2002 and largely implemented.

- **National Strategy and an Action Plan of the Decade of Roma Inclusion**, whose general objectives are realisation of greater integration of Roma people in the main course of the Macedonian society, reduction of poverty of Roma as a marginalised group, realisation of a long-term development of their community from any aspect, as well as provision of complete engagement of the state in the preparation and implementation of the priority objectives of the Strategy.
- **National Strategy for Equal Rights of Persons with Disabilities** adopted by the Government of the Republic of Macedonia in 2001 and the same is founded on review, analysis and indication of the need to adopt adequate decisions for protection, education, rehabilitation, qualification and employment of disabled persons.
- **National Plan for Gender Equality** adopted by the Government of the Republic of Macedonia in 2002 according to the provisions of the Constitution of the Republic of Macedonia for equality of the citizens, regardless of gender and special protection of motherhood. The main objective of the national plan is to ensure the complete exercise of all human rights and fundamental freedoms by women and female children; creation of mechanisms for the protection of these rights and elimination of all forms of discrimination.

INSTITUTIONAL FRAMEWORK

- Constitutional Court of the Republic of Macedonia
- Article 108 of the Constitution of the Republic of Macedonia establishes that the Constitutional Court is a body of the Republic, protecting constitutionality and legality. Pursuant to Article 110 of the Constitution of the Republic of Macedonia, the Constitutional Court, *inter alia*, protects the rights and freedoms of citizens with regard to the freedom of conviction, conscience, thought and public expression of thought, political association and action and prohibition of discrimination of citizens on the basis of gender, race, ethnic, social and political affiliation. The Constitutional Court exercises its jurisdiction in two ways: through constitutional review, i.e., assessment of general legal acts, and through specific procedure, i.e., through specific protection of certain rights and freedoms provided by the Constitution of the Republic of Macedonia.
- Courts in the Republic of Macedonia
- Pursuant to the Law on Courts, the courts protect the rights and freedoms of the citizens, as well as the rights of other legal entities if, pursuant to the Constitution, that is outside of the scope of jurisdiction of the Constitutional Court. The jurisdiction of courts also comprises the protection of citizens from the individual illegal acts of the state bodies and of other public institutions. The regular courts have a general jurisdiction for protection of human rights.
- Assembly of the Republic of Macedonia – Standing Inquiry Committee for Protection of Freedoms and Rights of Citizens
- The Standing Inquiry Committee for Protection of Freedoms and Rights of Citizens has the purpose of ensuring the freedoms and the rights of citizens in case of their inability to exercise the rights in the practice, or of violation of the rights by the competent state bodies. Its establishment enables institution of procedures to establish the responsibility of public officials.
- Government of the Republic of Macedonia and state administrative bodies
- The institutional mechanisms for safeguarding the principle of non-discrimination operating within the Government are established at two levels:

General – monitoring and promotion of human rights protection through implementation of the international standards and enhancement of the implementation mechanisms. At this level, within the Ministry of Foreign Affairs, there is a Unit on the Council of Europe, while at the Ministry of Justice a Unit for Human Rights, Legal Analysis and Comparative Law was established.

Sector level: The Ministries, within the competences established under the Law on Organisation and Operation of State Administrative Bodies, are responsible for enforcement of the laws from their respective areas, which contain anti-discriminatory clauses. Therefore, various sectors and units in the Ministries and other state bodies, in accordance with their scope of work, propose and undertake measures to prevent discrimination.

- **The Ombudsman** is an institution prescribed in the Constitution, with jurisdiction to protect the constitutional and legal rights of the citizens when violated by the state administrative bodies, which started functioning in 1997 with the adoption of the Law on Ombudsman. Currently, there is an evident increase of the number of citizens addressing the Ombudsman in cases of violation of their rights by the bodies of the State administrative and by other bodies and organisations with public authorisations.
- The new Law on Ombudsman from 2003 strengthened the role and the significance of this institution by increasing and broadening its competencies. The law also prescribes opening of offices in six cities in the country with the purpose of bringing this institution closer to the people. The new Law on Ombudsman introduces novelties in the procedure for the election of the Ombudsman, separate voting of the budget of the Ombudsman by Parliament and prescribes the establishment of offices of the Ombudsman as regional organisational units. Further novelties are also an obligation to undertake activities for defence of the principle of non-discrimination and equitable representation of the communities in the State bodies on all levels, and other areas of public life with suitable resources and personnel in the new service, enabling the execution of its function.

- The internal organisation and scope of operation are arranged according to the competencies determined in the Constitution and the Law on Ombudsman. This ensures an operative system for creation of quality in the realisation of the objectives and tasks of the organisational units and the function of the body, according to the principles of lawfulness, responsibility, efficiency, cost effectiveness, transparency, equality, equity, predictability. The Professional service consists of a Secretary General and four internal organisational units for: Professional and analytical issues, international cooperation and public relations, human resources, and financial operation and coordination of the operation of the Ombudsman and six regional organisational units-offices in Tetovo, Kicevo, Bitola, Strumica, Stip and Kumanovo. In the first half of 2005, the Ombudsman operated with a total number of 45 executive officers in the Professional department and with officials appointed as Ombudsman and four deputies in its office in Skopje. In the second half of the year, the Parliament elected six deputies for the regional offices. At the same time, towards the end of 2005, another 12 executive officers were employed.
- **Directorate for protection of personal data**– According to the Law on Personal Data Protection adopted in January 2005, the Directorate for protection of personal data (hereinafter: the Directorate) was established on 22 June 2005 with appointment of its Director. The Directorate, according to this Law has the status of an independent state body with the capacity of a legal person. The Parliament of the Republic of Macedonia appoints the Director of the Directorate in accordance with the terms for appointment and dismissal determined by the Law on Personal Data Protection. The Director is appointed for a period of five years (contrary to the mandate of the Government and the Parliament) with a right to re-election, however not more than twice. Before assuming function, the appointed Director gives and signs a special statement in front of the president of the Parliament. The function of the Director is not compatible with other public functions and professions. The Director reports once a year for the operation of the Directorate in front of the Parliament of the Republic of Macedonia. The Annual Report is published in the Official Gazette of the Republic of Macedonia. The Directorate is responsible for supervising the lawfulness of the undertaken activities in the process of personal data processing from any holder of personal data collection (regardless whether it is in the public or private sector). Authorised persons from the Directorate have the right to access all personal data collections maintained in the public and private sector; they control operations for processing of personal data, intervene in the process of personal data processing, conduct direct supervision, and have access to any of the premises where personal data is processed. They also inspect the collection (including inspection of the equipment for maintenance and storing of personal data), determine prohibition for further personal data processing, according to a procedure determined by law, and they issue a warrant to delete personal data, if not maintained in compliance with the law. The Commission established by the Director decides upon complaints and requests from physical persons who consider that some of their rights guaranteed by the Law on personal data has been injured, and an administrative dispute may be initiated upon the conducted administrative procedure in front of the Directorate (in second instance). The Commission may prohibit further personal data processing until the lawful completion of the procedure. The Commission is currently being established and authorisations are given to the persons competent for supervision. The controllers are bound to notify the Directorate prior to the complete and partially automated personal data processing and for all further changes in the collection. These activities are currently ongoing in their initial phase. The Directorate is required to maintain a Central Register of the data on the personal data collections maintained by the controllers. The Central Register and the Annual Report for the previous year will be published on the web page of the Directorate, which has been installed and is currently under construction. The preparations for the publication of the Law on protection of personal data and the Rulebooks for regulating this field in Macedonian and English are ongoing (five Rulebooks are mentioned above in relation to the legal framework). The web page will be continuously updated, while in the interest of securing the principle of transparency the Central Register and other relevant data will be published. The Directorate is financed from the Budget of the Republic of Macedonia. Certain activities in the development period will also be implemented through projects financed from foreign assistance. The Directorate is currently operating in temporary premises, and final decision regarding the premises is expected until the end of the year. According to the acts, the competencies of the Directorate are performed by one State Advisor and in three sectors. The first sector is competent for supervision of the lawfulness of the procedure of personal data processing by controllers of collections of personal data, normative issues and support in acting upon complaints and requests from citizens regarding non-observance of the right to protection of personal data. The second sector maintains a Central Register, the web page of the Directorate and provides computer support, while the third sector conducts all general and common activities (human resources, finances, etc.). There are seven departments in all sectors, with a total of thirty executive officers (it is expected that this number of employees will be reached by 2010). Currently there are two full time employees, two employees under contract, and new executive officers are in process of employment for administrative supervision and appointment of the Commission for acting upon complaints and requests from citizens. Apart from the Director, a deputy director has also been appointed. The Directorate gives opinions before the adoption of new regulations - especially regarding the registers and personal data records (numerous opinions have been provided regarding new legal projects so far, upon request of the proposing parties).

SHORT-TERM PRIORITIES

a. LEGISLATION

During second half of 2006, an analysis of the legal solutions included in the **Criminal Code and the Law on Criminal Procedure**, from the aspect of their compliance with the EU legal acts and the customary law of the European Court of human rights will be conducted, setting grounds for preparation of proposals for amendment. Special attention will be paid regarding the solutions in the laws related to passing a decision for mandatory detention when there is founded suspicion that a criminal act, which can be sentenced with life imprisonment, has been committed. Amendments are also expected for strengthening protection against disclosure of the identity of the protected witness, possible revision of the definition of rape in context of domestic violence and sexual abuse, as well as concerning the role and correlation between the investigative judge and public prosecutor and the practice of use of "information talks".

The regulation and manner of sanctioning of the criminal act libel, especially in relation to journalists will also be examined. In line with the practice of the European Court of Human Rights, the issue regarding libel should be resolved solely within the frames of the civil and legal matter to prevent the use of the criminal sanctions in the resolution of these issues. Overall, it may be concluded that there is a tendency in the existent legislation towards the gradual decriminalisation of libel. Correspondingly, an analysis of the Criminal Code is planned for the second half of 2006 with the possibility to propose amendment in relation of **freedom of public expression of thought** and the manner of sanctioning **libel** in the same.

In relation to compliance with the legal framework for prohibition, prevention and sanctioning of **torture and other inhuman or degrading treatment**, there will be sustained effort for consistent enforcement of the legal provisions. These are related to the limitation of police detention, notification for apprehension, availability of an attorney, availability of a doctor, records for different aspects of detention, the conditions of detention, as well as on the restricting of the use of "information talks" by the Police. For that purpose, trainings for human rights in all bodies that implement the law will be organised. Furthermore, all law enforcement agencies are required to deliver semi-annual information to the Government regarding the recorded cases of exceeding the authorisations and undertaken disciplinary and criminal procedures.

Although there is **free legal aid**, its enforcement, especially in civil law, is not satisfactory. For that purpose, measures will be undertaken for informing citizens about the possibility to exercise their right, through six regional offices for legal aid of the Bar Chamber, as well as for stimulating attorneys to accept these cases and offer efficient and quality aid.

Regarding the implementation of the legislation in the field of **protection of personal data** until the end of 2006 (at latest until 20.12.2007) the acts of controllers from the public, as well as the banking and insurance sector will be harmonised with the Law on Protection of Personal Data and its corresponding Rulebooks.

In relation to **the freedom of religious confession**, a Law on Religious Communities and Groups is being drafted and its adoption is expected by the end of 2006. The Law will take into consideration the recommendations of the Advisory Board of Experts regarding the freedom of religious confession of OSCE/ODIHR, as well as the rules for amendment of the legislation related to religion and confession of OSCE/ODIHR and the Venice Commission.

In the second half of 2006, the Law on Associations of Citizens and Foundations will be amended. These changes will provide a possibility for legal persons to establish associations of citizens and foundations. The role of aliens shall also be changed in the process of registration and management of the associations and the register of associations of citizens and foundations shall be transferred within the competence of the Central Register. This Law shall further provide tax relieves for citizens' organisations, enticing the development of the civil society in the Republic of Macedonia.

With the purpose of promoting **anti-discriminatory legislation**, a **Law on Equal Opportunities between Men and Women** has been prepared, and its adoption is expected in the first half of 2006. The definition of the term equal possibilities is transposed from the UN Convention for elimination of all forms of discrimination of women. The objective of the Law on equal possibilities is regulation of the common bases for improvement and promotion of the status of women and establishment of equal possibilities for women and men in the political, economic, social, educational field, as well as other fields from the social life. The law is harmonized with the following directives: Directive of the Council No. 97/80/EC from 15 December 1997 regarding the seriousness of the evidence in cases of gender discrimination, as well as 97/80/EC and Directive of the Council No. 2002/73/EC regarding the implementation of the approach for equal treatment of men and women. Thus, the current legislation will be fully harmonized with the European standards.

In order to strengthen the guarantees of **protection of the rights of children** during 2006 amendments of the **Law on Protection of Children are expected**, with the purpose of reconstructing the system for compensation for children (improvement of targeting users of child's support) and its harmonisation with the European and international instruments for children's protection. The adoption of a **Programme for development and realisation of children's protection for 2006 is also planned**. Furthermore, the **Law on Juvenile Justice**, for which the Ministry of Justice in April 2003 established a Commission for its preparation, will also be adopted. This Law integrates the provisions from the UN Convention on the rights of children and the Protocol, codifying the criminal legislation for juveniles.

In order to ensure **protection of personal integrity**, the Republic of Macedonia has signed the Convention for Protection of Human Rights and Human Dignity, in relation of application of biology and medicine (CoE) and the additional protocols related to the prohibition for cloning humans and transplantation of organs and tissues from humans. Their ratification is expected soon.

b. INSTITUTIONS

An **Inter-ministerial body for human rights of the Government**, will be established in the first half of 2006.

Directorate for personal data protection

Until the end of 2006, the Directorate plans the following activities: establishment and maintenance of a Central Register, creation of a web page, its activation and posting of the relevant legislation, the principles for processing of personal data, the records submitted to the Central registry from the controllers and the yearly report for the work of the Directorate. Initial records for collections of personal data by controllers and records for executed transfer of personal data in other countries will be established. The members of the Commission for deciding upon the requests for determination of violation of the protection of personal data will be appointed and the Rules of Operation will be adopted by the end of 2006, the Commission will begin with supervision, with a total number of nine employees. Furthermore, trainings are also planned for the employees in the Directorate, in order to strengthen the capacity of this institution.

During 2006 and 2007 there will be trainings for the employees (especially related to supervision, maintenance of the Central Register, as well as training of the responsible persons in the institutions- controllers that maintain collections of personal data for the citizens). The Directorate will provide adequate professional assistance for harmonisation of the operation and the acts of controllers with the Law on personal data protection (the deadline is the end of 2007). There have been initial contacts with part of the controllers and analyses of part of the agreements for transfer of user's personal data have been performed.

The Ombudsman

During 2006, three additional executive officers will be employed, thus, the Ombudsman will operate with sixty executive officers and ten deputies of the Ombudsman. Furthermore, in order to strengthen the cooperation between the Ombudsman and the Ministry of Interior, the number of procedures of the Ombudsman submitted to this ministry will be monitored, as well as the results thereof.

MEDIUM TERM PRIORITIES

a. LEGISLATION

In relation to the **protection of personal data** and the activities of the **Directorate** until the end of 2008, there will be an evaluation of the complete harmonisation of the legislative acts and bylaws with EU regulations, thus completing the legal framework. Additionally, the following will be taken into consideration: Directive 95/46/EC, Recommendation of the Committee of Ministers of the Council of Europe No. R(87) 15 for regulation of use of personal data in the police sector and the Additional Protocol of the Convention for Protection of persons in relation to automatic processing of personal data No. 108, which applies to the bodies for supervision and cross border dataflow (harmonisation with these two instruments may be expected in a shorter period). Furthermore, until the end of 2008, complete establishment of records in the central Register and regular supervision over the protection of personal data is planned.

In relation to the efficient enforcement of the competencies **of the Ombudsman**, the financial status of the institution is of crucial importance. Namely, the new Law from 2003 provides a significant step forward in relation to financial independence. Upgrade of the legal framework is planned, in relation to the financing of this institution.

Until 2009, an analysis will be conducted regarding the need of adopting a systemic law against discrimination and a decision will be made whether a Law for dealing with the problems in the field of discrimination will be prepared or the same will be regulated by the existent laws.

The rights of EU citizens are a field, which will be subject of additional harmonisation. Community legislation sets detailed rules regarding the rights of EU citizens to move and stay on the territory of member states of the European Union. In this context, appointment of the institution responsible for implementation of the Directive (32004L0038) regarding the rights of the citizens of the Union and their family members to freely move and stay on the territory of member states of EU is expected. Apart from the right to movement, there will be a need for further harmonisation in the field of the right to vote. The European Union has determined a legal framework for organisation of elections for the European Parliament, which determines that citizens of the Union, who stay in a member state where they are not nationals, may participate in the local and parliamentary elections of the same, under the same conditions as the nationals of that country. For that purpose, the act of election of members of the European Parliament should be accepted. Additionally, according to article 13 from Directive (31993L0109) a national contact office should be established for the purposes of coordination of the exchange of information.

b. INSTITUTIONS

Directorate for protection of personal data

Until 2010, it is expected that the Directorate will employ a total number of thirty civil servants and two officials.

Ombudsman of the Republic of Macedonia

For the purposes of exchange of information, the office of the Ombudsman plans to organize a conference of the Ombudsman institutions from the region, financed by TAIEX. Additionally, there is also an intention to organize a round table of Ombudsman institutions from the region, on the topic international standards for equal treatment and protection against discrimination, financed by EC/TAIEX.

Penitentiary system

In relation to the improvement of the conditions in the penitentiary institutions and observing human rights in prisons by the prison officials (raising awareness and professionalism through training) see the part for the penitentiary system (medium term priorities) in section *Judicial system*.

INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget No.	Institution	2006	2007	2008	2009	2010	Total
02006	Directorate for Protection of Personal Data (DPPD)	5	6	7	4	4	26
02006 Total		5	6	7	4	4	26
31101	The Ombudsman	3	0	0	0	0	3
31101 Total		3	0	0	0	0	3
Total		8	6	7	4	4	29

FOREIGN ASSISTANCE

Directorate for Protection of Personal Data:

- The CARDS Programme 2004 – 50.000 EUR for procurement of equipment for the Directorate for Protection of personal data (financial assistance has been obtained, and the procurement should be completed during February 2006)
- The CARDS Programme 2004 – 850.000 EUR provided for technical support for establishment of a Directorate for protection of personal data and development of protection of personal data in the Republic of Macedonia (the Project will be implemented within a period of 18 months, April 2006 – October 2007). It is estimated that 500.000 EUR will be spent in 2006, and the rest of the finances in 2007.
- TAIEX for 2006 – 31.000 EUR for support of the implementation of bylaws, the preparation of the instruments for maintenance of the Central Register and preparation of instruments/matrices for preparation of instruments for maintaining records of the personal data collections by the controllers of personal data collections.

For technical support of the development of the Directorate and enforcement of the principles for protection of personal data in the period 2007-2010, foreign assistance is provided in total amount of 712.000 EUR, as follows:

- 350.000 EUR – provided for 2007 from CARDS 2004;
- 300.000 EUR – planned for the period from 2008 to 2010 through CARDS 2006;
- 62.000 EUR – planned for the period 2007-2010 through TAIEX

The Ombudsman of the Republic of Macedonia

- OSCE – SIDA Project for support of the institute Ombudsman 2005/2006 – 180.000 EUR for technical equipment (computers), professional improvement (trainings) exchange of experience (study visits in other Ombudsman's offices).
- EUNOMIA – Project of the European Union, managed by the office of the Ombudsman in Greece – 50.000 EUR for the organisation of a seminar in Ohrid in 2006.

3.24 JUSTICE, FREEDOM AND SECURITY

I Introduction

The principle objective of the national policy in the field of justice, freedom and security of the Republic of Macedonia is the establishment of stable democratic institutions, which will guarantee the rule of law and the respect of the fundamental human rights. The realisation of this objective will amount to the full integration of the Republic of Macedonia in the EU and will contribute to the fundamental European policies and values in this field.

In the Republic of Macedonia, as competent institutions for implementing the EU legislation in this area appears the following: The Supreme Court of the Republic of Macedonia, Public Prosecutor's Office of the Republic of Macedonia, Ministry of Interior, Ministry of Justice, Ministry of Foreign Affairs, Ministry of Finance – Customs Administration, Ministry of Finance – Financial Police, Ministry of Health and the Inter-ministerial State Commission for Combating the Illicit Production, Trafficking and Abuse of Drugs.

A. EXTERNAL BORDERS, VISA POLICY, EXTERNAL MIGRATION AND ASYLUM

1. CURRENT SITUATION

a) Legislation

- **External borders**

The regime of crossing of the state border, the movement and stay of persons within the border area, as well as the measures needed to secure the national borders are regulated with the Law on Crossing of the State Border and Movement in the Border Zone⁷ and the secondary legislation⁸ related thereto. These acts are not aligned with the EU legislation in this field.

- **Visa policy and external migration**

The movement and residence of aliens on the territory of the Republic of Macedonia is regulated with the Law on Movement and Residence of Aliens⁹. The legal provisions are further developed in the Rulebook on the Mode of Issuance of Travel and other Documents and Visas to Aliens and the Form of the Documents and Visas¹⁰ and the Guideline on the Mode of Issuance of Travel Documents and Visas to Aliens by the Diplomatic and Consular Missions of the Republic of Macedonia Abroad and on the Mode of Keeping Records of Issued Travel Documents and Visas to Aliens¹¹. This law and the related by-laws have not been harmonised with the EU legislation.

Personal Documents

The personal documents of the citizens of the Republic of Macedonia are regulated with the Law on Personal Identity Card (Official Gazette of the Republic of Macedonia, No. 8/95, 38/02, 16/04, 12/05) and the Law on Travel Documents of the Citizens of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 67/92, 20/03, 46/04), both of them harmonised with the ICAO standard Doc 9303.

Certain aspects of the personal documents are also regulated with the following legal acts:

- Law on Personal Registration Number of the Citizens (Official Gazette of the Republic of Macedonia No. 36/92),
- Law on Citizenship of the Republic of Macedonia (Official Gazette of the Republic of Macedonia No. 67/92, 8/04), fully harmonised with the European Convention on Citizenship, ratified by the Assembly of the Republic of Macedonia on January, 23, 2002,
- Law on Family (Official Gazette of the Republic of Macedonia, No. 80/92, 09/96, 38/04),
- Law on Personal Name (Official Gazette of the Republic of Macedonia No. 8/95),
- Law on Personal Registers (Official Gazette of the Republic of Macedonia, No. 08/95 and 38/02)
- Law on Reporting Dwellings and Residence of Citizens (Official Gazette of the Republic of Macedonia No. 36/92, 43/00),
- Law on Securing Persons and Property (Official Gazette of the Republic of Macedonia, No. 80/99),
- Law on Detective Activity (Official Gazette of the Republic of Macedonia No. 80/99),
- Law on Personal Data Protection (Official Gazette of the Republic of Macedonia No. 07/05),
- Law on Road Traffic Safety (Official Gazette of the Republic of Macedonia No. 14/98, 38/02 and 38/04),
- Law on General Administrative Procedure (Official Gazette of the Republic of Macedonia No. 38/05),
- Law on Internal Affairs (Official Gazette of the Republic of Macedonia No. 19/95, 55/97, 38/02, 33/03)¹².

⁷ Official Gazette of RM No 36/92, 66/92, 11/93, 31/93, 11/94 and 19/2004.

⁸ Rulebook on the Mode of Control of Crossing of the State Border, Movement and Stay at the Border Crossing Points and on Maintaining Records ("Official Gazette of RM" No 74/92); Rulebook on the Mode of Detection and Resolving of Border Incidents and other Violations of the State Border ("Official Gazette of RM" No 78/92); Rulebook on Areas and Facilities Comprising the Border Crossing Points ("Official Gazette of RM" No 69/92 u 9/97); Rulebook on Movement, Stay, Settlement and Hunting and Fishing Regime Inside the Border Zone 78/92); Rulebook on Delineation Markings on the Border Zone at Land ("Official Gazette of RM" No 26/95).

⁹ Official Gazette of RM No 36/92, 66/92, 26/93, 45/2002 and 49/2003.

¹⁰ Official Gazette of RM No 75/93.

¹¹ Official Gazette of RM No 10/98.

¹² Besides these laws, the following by-laws regulate the same area:

• Asylum

The Law on Asylum and Temporary Protection¹³ governs the conditions and the procedure for granting and cessation of the right to asylum to a alien and stateless person seeking recognition of the right of 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 measures¹⁴ and with a series of international instruments ratified by the Republic of Macedonia¹⁵.

This law provided for the adoption of the single binding by-law – Rulebook on the Application Form for Recognition of the Right to Asylum, 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 Records¹⁶.

b) Strategic Documents

- National Strategy on Integrated Border Management, adopted by the Government of the Republic of Macedonia on 22.12.2003.
- National Action Plan for Integrated Border Management, adopted by the Government of the Republic of Macedonia on 06.10.2005.

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- Rulebook on the Forms and the Mode of Keeping Records of the Personal Identification Number of the Citizens ("Official Gazette of the SRM", No. 31/80)
 - Rulebook on the Mode of Keeping Records of the Citizenship of the Republic of Macedonia and the Applicable Forms ("Official Gazette of the RM", No. 2/93, 80/05),
 - Decree on Establishing the Criteria for Distinguishing Scientific, Economic, Cultural, Sportive or other National Interest for Acquisition of Citizenship of the Republic of Macedonia ("Official Gazette of the RM", No. 9/2005),
 - Manual on the Mode of Keeping Records, Protection and Storing of Civil Registries ("Official Gazette of the RM", No. 19/98),
 - Rulebook on the Form of the Personal Identification Card, Procedure for Conduct and Replacement of the Personal Identification Card and on the Mode of Keeping Records of the Personal Identification Card and the Mode of Keeping Records for Personal Identification Cards Issued ("Official Gazette of the RM", No. 15/88),
 - Rulebook on the Forms of the Weapons and Ammunition and the Mode of Keeping Records for Weapons and Ammunition ("Official Gazette of the RM", No. 93/2005),
 - Rulebook on the Programme for Training for Proper Use, Storage and Maintenance of Weapons, the Mode of Carrying out Practical Training for Handling of Weapons, as well as the Mode of Carrying out Professional Examination for Checking the Technical Knowledge for Proper Use of Weapons and Insight into Regulations on Weapons ("Official Gazette of the RM", No. 83/2005),
 - Rulebook on Minimum Technical and Safety Requirements that Should be Met by the Facilities for Practical Training for Handling of Weapons of Legal Persons ("Official Gazette of the RM", No. 83/2005),
 - Rulebook on the Programme and the Mode of Professional Examination for Performing Operations of Securing of Persons and Property ("Official Gazette of the RM", No. 41/2000),
 - Rulebook on the Form of the Working Licence for Securing of Persons and Property ("Official Gazette of the RM", No. 41/2000),
 - Rulebook on the Form of the Identification Card for Securing of Persons and Property and the Manner for its Issuing ("Official Gazette of the RM", No. 41/2000),
 - Rulebook on the Mode and the Types of Firearms for the Need of the Legal Persons that Perform Securing of Persons and Property ("Official Gazette of the RM", No. 41/2000),
 - Rulebook on the Programme and the Mode of Professional Examination for Performing Detective Activities and for the Composition of the Examination Commission ("Official Gazette of the RM", No. 41/2000),
 - Rulebook on the Application Form for Issuing the Identification Card for Performing Detective Activities and the Form and the Mode of Issuing the Identification Card for Performing Detective Activities ("Official Gazette of the RM", No. 41/2000),
 - Rulebook on the Content and the Mode of Keeping Records of the Concluded Contracts for Detective Activities ("Official Gazette of the RM", No. 41/2000),
 - Rulebook on Registration of the Motor Vehicles of the Ministry of the Interior ("Official Gazette of the RM", No. 94/00),
 - Rulebook on the Performing the Technical Inspection of Motor and Coupled Vehicles, Tractors and Agricultural Tractors ("Official Gazette of the RM", No. 28/99),
 - Rulebook on Registration of Motor and Coupled Vehicles, and Keeping Records of the Registered Motor and Coupled Vehicles ("Official Gazette of the RM", No. 97/00),
 - Rulebook on Forms for Vehicle Licence, Driving Licence, Tractor Vehicle Licence, Registration Licence, Tractor Drivers Licence and Drivers Permit ("Official Gazette of the RM", No. 51/05),
 - Rulebook on Registration Plates for Motor and Coupled Vehicles, Operation Machines, Tractors, Motor-cultivators, Mopeds, Cart and Coupled Vehicle Attached to a Tractor or Motor-cultivator, and for the National Mark ("Official Gazette of the RM", No. 51/05),
 - Rulebook on the Issuing Procedure for Changing, Extension of Validity and the Mode of Keeping Records of Driving Licences and Licence for Tractor Drivers, as well as the Procedure for Issuing and the Mode of Keeping Records for the Issued Licence Permits ("Official Gazette of the RM", No. 1305),
 - Rulebook on the Programme, Organisation and the Mode of Taking Drivers Exam ("Official Gazette of the RM", No. 79/02),
 - Rulebook on the Criteria and the Mode of Operation of the Driving Schools, Curriculum and Syllabus and Professional Human Resources ("Official Gazette of the RM", No. 66/00),
 - Rulebook on Registration of Operation Machines, Agricultural Tractors, Moto-cultivators etc ("Official Gazette of the RM", No. 27/96),
 - Rulebook on the Dimension and the Mode of Placement of Special Registration Plates for Vehicle Marking, with which the Training of the Candidates for Drivers is Performed and the Procedure for the same ("Official Gazette of the RM", No. 64/01),
 - Rulebook for Determining the Settlements where the Drivers Exams will be Performed ("Official Gazette of the RM", No. 25/98),
 - Rulebook on the Conditions, the Mode and the Procedure for Inspection of the Motor and Coupled Vehicles ("Official Gazette of the RM", No. 68/93),
 - Rulebook on the Forms of the Travel Documents and Visa of the Citizens of the Republic of Macedonia, on the Mode of Taking Photo and Keeping Records for Travel Documents ("Official Gazette of the RM", No. 2/93, 54/93 and 73/04),-
 - Guidelines on the Mode of Issuing Passports and Common Passports for the Citizens of the Republic of Macedonia, and the Procedure on Visa Issuing of that Passports ("Official Gazette of the RM", No. 36/94).

¹³ (Official Gazette of RM No 49/03

¹⁴ 32003L0086, 32003L0009, 32001L0055, 31995Y1007 and 1996 Y 0919(05).

¹⁵ Convention on the Refugee Status, 1951 supplemented with the Protocol thereto, 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.

¹⁶ Official Gazette of RM No 48/04.

- Model Strategy of the Republic of Macedonia for harmonisation with the EU legislation in the area of migration¹⁷.
- Visa module – Country Report for the Republic of Macedonia.
- National Action Plan on Migration and Asylum¹⁸.
- Project "New personal documents"
- Project "Automated keeping of records"
- Project "Registry of the population"
- Project "Enforcing the Law on Weapons"
- Project "ON – LINE" – "E Government".

c) Institutions

External borders

Competent institution for implementation of the Law on Crossing of the State Border and Movement in the Border Zone is the Ministry of Interior. Within its framework, the Sector for Border Affairs operates on a strategic level. As a service of advisory character, this Sector has competence for strategic and conceptual planning of the police operations in the area of the border affairs and establishment of general guidelines and standards for operation of the police services in the Regional Centres for Border Affairs. A total of 17 persons are employed in this Department.

On operative level, there are four Regional Centres for Border Affairs, which include 50 police stations, 28 of which are responsible for securing of the state border, 14 police stations for border control, 6 police units for border control and 2 mixed police stations.

The employees in the Sector for Border Affairs and in the Regional Centres have been provided with the following trainings: management training, top management training, training for heads of police stations, IT training, course in English language, training for detection of forged documents, training for recognition of dual-use equipment, training of trainers for "Trafficking in human beings and illegal migration" and training of instructors as regards the acquiring of practical experience on field.

Visa Policy and External Migrations

Competent institutions for implementation of the Law on Movement and Stay of Aliens are the Ministry of Interior and the Ministry of Foreign Affairs. According to this law, the Ministry of Interior is competent for the issuance of visas and the Ministry of Foreign Affairs, i.e. the Diplomatic and Consular Missions (DCM) of RM, for acting upon procedures for issuance of visas (receipt of the application and issuance of the visa).

The visa policy, within MFA, falls under the competence of the Department for Consular Affairs and International Law, or more precisely under the competence of the Unit for Passports, Visas and Overflights, with 6 employees. This Unit has competence for the activities concerning the visa and passport regime with foreign countries, issuance and recording of diplomatic and official passports and visas, out-of-schedule flights of foreign aircrafts, legalisation of documents and communication with foreign DCMs and DCMs of RM and issuance of visas.

The consular affairs related to the issuance of visas fall under the competence of the 37 DCMs of RM pursuing consular functions, with 40 diplomatic - consular and administrative officers. The training of these officers is conducted within the framework of the preparations prior to the posting for service abroad.

Personal Documents

According to the general acts, the procedures for exercising citizen's rights in the area of citizenship, civil matters, travel documents, weapons, dwellings and residence of citizens, identification cards, keeping of personal records, driving tests, driving licence, registration of vehicles and the control and surveillance over the application and enforcement of regulations fall in the competence of the regional units of the Ministry of Interior. The Department for Administrative and Supervisory Matters has advisory, coordinative and supervisory role in relation to the regional administrative units.

The Department for Legal Affairs and Personnel is competent for the preparation of the legal acts as well as the by-laws that are proposed by the Ministry of the Interior, and the Department for Administrative and Supervisory Matters is actively involved in the procedure for regulating administrative matters.

Asylum

Competent institutions for implementation of the Law on Asylum and Temporary Protection are: The Ministry of Interior, Ministry of Labour and Social Policy, Ministry of Health and Ministry of Education and Science.

2. PLAN

¹⁷Adopted by the Government of the Republic of Macedonia on 23.09.2005

¹⁸Adopted by the Government of the Republic of Macedonia in December 2002.

2.1 SHORT-TERM PRIORITIES

a) Legislation

External borders

The Strategy for Integrated Border Management and the Action Plan concerning its implementation, stipulate the adoption of the Law on Control of the State Border, which will govern the surveillance of the state border, cooperation between the state authorities responsible for border management, competencies of the police in the interior and the international police cooperation.

The Draft Law is partially aligned with the Convention Implementing the Schengen Agreement of 14 July 1985, adopted on 19 June 1990 and the Common Manual 32002X1216(03). The full harmonisation will be achieved upon the accession of the Republic of Macedonia in the European Union.

The respective by - laws (eight of them) will be enacted within six months after the law enters into force¹⁹. Within the same time period, the Action Plan provides for signing of Memoranda of Understanding among all institutions involved in the Integrated Border Management (IBM) and adoption of plans for acting in emergency situations.

In addition to these legal acts, the preparation of Operational Procedures for Border Control in accordance with the Schengen Catalogue is also foreseen.

Visa Policy and External Migrations

The Law on Aliens is in process of adoption and it will govern the requirements for entry, exit and stay of aliens in the Republic of Macedonia, as well as the rights and obligations entitled to them with this law. With regard to the complexity of this issue and for the purposes of establishment of efficient legal regulation which will effectively deal with the illegal immigration, a number of directives and resolutions of the Council of the European Union are transposed in the Draft Law on Aliens.

The need for adaptation of the European standards and rules with the national needs, possibilities and the legal system of the Republic of Macedonia imposed the need for partial harmonisation of the Draft Law on Aliens with the EU legislation.

Beside this, the fact that the Republic of Macedonia is not a Member State of the European Union postpones the full alignment with the European standards and rules which govern the mutual relations between the Member States. The by-laws²⁰ will be adopted within six months after the law enters into force.

In addition to this law, a new Law on Employment of Aliens is in process of adoption. This law will incorporate the European standards and rules regarding the issuance of working permits to foreigners.

Personal Documents

For full harmonisation of the **Law on Citizenship of the Republic of Macedonia** with the European Convention on Citizenship, new amendments of the Law on Citizenship were adopted. In order to be harmonised with the part concerning succession of the European Convention, the Republic of Macedonia has re-included the transitional provision which provides the citizens of the former SFRY and the citizens of some of the republics of the former SFRY that have continued to live in the Republic of Macedonia after the dissolution, to obtain Macedonian citizenship under mitigating circumstances. The Republic of Macedonia also applies the provisions of the Convention for issuing birth certificates in several languages intended for use abroad²¹.

In relation to the project for issuing new travel documents in accordance with the Schengen *acquis* and ISO and ICAO standards in this area and the fact that the travel documents have a priority in issuing documents, amendments to the Law on Travel Documents, as well as harmonisation of the by – laws are foreseen for the first half of 2006.

Asylum

¹⁹ The most important are:

- Decree on the standards and norms that must be met by the Border Crossing Points for safe, unimpeded and cost-effective performance of the border control,
- Rulebook on the mode of security of the state border and control of the crossing of the state border,
- Rulebook on the mode of crossing the internal border,
- Rulebook on the manner of determining and resolving border incidents and other violations of the state border.

²⁰ Mode of approval and rejection of entry, mode of issuance of license for temporary and permanent stay, mode of extension of the license for temporary stay, mode of returning and expelling an alien, mode of registering and signing out of the stay of alien, mode of keeping, period of keeping and access to the records established with the Law on Aliens, the house rule of the Reception Center for Foreigners of the Ministry of the Interior, mode of issuance of passports and other documents to aliens, mode of keeping records of the issued passports and other documents, form and contents of the forms of the passport and other documents to aliens, as well as of the applications for their issuance, mode of reporting of disappeared, lost, stolen passport and other documents of aliens.

²¹ Adopted in Vienna and ratified by SFRY on 20. 07. 1990.

There is no projection for drafting any amendments to the Law on Asylum and Temporary Protection during this period; however for the purposes of full implementation of Articles 10, 11, 12 and 15 from the above mentioned directive concerning the education of juveniles, employment, professional training and health protection of the asylum seekers, certain laws²² should be amended in order to ensure complete implementation of the Law on Asylum and Temporary Protection. This means that the methodology of operation, until now financially supported by the UNHCR should be legally standardised in the laws concerned, with funds from the budget of the Republic of Macedonia earmarked for this purpose.

The Ministry of Labour and Social Policy in cooperation with the Ministry of the Interior in order to strengthen the capacities for reception will prepare a Plan for Acting in Case of Mass Influx of Refugees and Determination of the Status of Temporary Protection, which will be adopted by the Government of the Republic of Macedonia in the forthcoming period.

b) Institutions

External borders

The Ministry of the Interior will be competent to enforce the Law on Control of the State Border. The Ministry of Foreign Affairs, Ministry of Defence, Ministry of Finance – Customs Administration, Ministry of Agriculture, Forestry and Water Economy, Ministry of Health, Ministry of Transport and Communications and the Ministry of Environment and Physical Planning will be responsible for the enforcement of the law's provisions related to the Integrated Border Management.

The Law on Control of the State Border foresees the establishment of a National Coordination Centre for Border Management (NCCBM), with the aim of coordinating the activities of the institutions in the execution of the border control. In that direction, the Centre will be responsible to monitor the condition of the state border, to facilitate the information exchange among the institutions involved in the Integrated Border Management and to coordinate the common activities and operations for elimination of incidents on the state border. The NCCBM will employ liaison officers from all the institutions involved in IBM trained through the trainings for liaison officers and management on operative level.

Visa Policy and External Migrations

Pursuant to the provisions of the Law on Aliens, the Ministry of the Interior will establish a Reception Centre for Aliens.

The Reception Centre will accommodate aliens who cannot be forcibly removed from the territory of the Republic of Macedonia, as well as aliens for whom there is an effective decision for expelling, and who do not possess any valid or recognised travel documents. The Reception Centre is foreseen to function within the Border Police and will employ 16 officers, overtaken from other institutions.

For the purposes of implementing the Law on Aliens, it is necessary to increase the number of officers in the Section for Aliens within the framework of the Department for Civil Affairs in the Mol (3 chief inspectors in 2006 and employment of 1 person in 2007). Furthermore, the new employments will be followed with an adequate training concerning the best practices in the member states of the European Union in this field.

For the purposes of the enforcement of the new visa policy, a National Visa Information System including Visa Centre within the MFA will be established. The Visa Centre is foreseen as an organisational unit – Unit for Visa Centre within the Department for Consular Affairs and International Law. It will employ 12 persons. This Unit will have the following responsibilities: ensuring operation and functioning of the complete National Visa Information System (NVIS); ensuring operation and functioning of the Visa Centre within the framework of NVIS; establishment and maintenance of network connection with DCMs of RM and other users of NVIS within the framework of the visa issuance procedure (protected reception and sending); performing specific activities in the visa issuance procedure (reception of visa applications, revision, proceeding and consultation with the other users of NVIS and reply to the application); establishment and maintenance of database with data from the visa-related activities; training of persons in MFA and DCMs authorised for access to NVIS and pursuing visa-related activities through NVIS; control and maintenance of IT equipment and network; monitoring and control of the visa regime; reporting on the visa regime on regular basis; analysis of the situation in the visa regime; inspection of the visa regime applied by the DCMs; assessment of the visa-related procedures; and procurement, distribution and control of visa stickers.

Personal Documents

For the project "new personal documents", a new unit for personalisation is planned to be established. For the realisation of the project activities in administrative – supervisory matters²³, the existing departments within the Ministry of the Interior will be included as well as other legal entities²⁴.

²² Law on Primary and Secondary Education, Law on Social Protection, as well as the Law on Health Insurance and Employment of Foreign Citizens.

²³ Projects "Connecting technical inspection centres with the system of ADP in the Mol", "Automated keeping of records" and "Unification of personal registration operations" (taking over regional offices from the Ministry of Justice).

²⁴ Auto Moto Association of the Republic of Macedonia, Auto Moto companies, Driver's Union of the Republic of Macedonia, Driver's Association of the Republic of Macedonia and DASUC "Boro Petrusovski" and MICROSOFT DOOEL Skopje.

Asylum

For the purposes of observance of the stipulated obligations concerning the establishment of a Reception Centre for asylum seekers, which is currently under construction, it is necessary to resume with the staffing process and further providing for technical equipment, as well as to conduct specific trainings for the staff that is to be employed in this Centre.

Aiming at successful realisation of the obligations, it is necessary to conduct further staffing of the Unit for Asylum within the Ministry of the Interior and the newly established Unit for Asylum, Migration and Refugees within the Ministry of Labour and Social Policy.

2.2 MEDIUM-TERM PRIORITIES (2008-2010)

a) Legislation

Asylum

There are plans for adoption of a Law amending the Law on Asylum and Temporary Protection of the Republic of Macedonia and amendments to the secondary legislation, which shall enable, in the course of 2008, implementation of the following acts:

- Council Directive on the Minimum Standards of Procedure in the Member States on Granting and Revoking the Refugee Status; and
- Council Directive on the Minimum Standards for Qualification and Status of Citizens of Third Countries or Stateless Persons as Refugees or Persons in Need of International Protection and the Contents of the Protection Granted.

b) Institutions

Asylum

During the period 2006-2010, there is a plan for employment of 11 persons in the Unit for Asylum within the Ministry of the Interior and 5 persons in the Ministry of Labour and Social Policy.

There are plans for enlargement of the Unit for Asylum with the systematisation of new organisational units, such as the Section for fulfilment of the obligations pursuant to the Eurodac Agreement, Section for international cooperation and fulfilment of the obligations arising from the Dublin 2 Agreement. There is also a need for further staffing of the Unit for Asylum, Migrations and Refugees within MLSP in direction of building capacity for fulfilment of the future obligations to be assigned to this Unit.

For the purposes of successful implementation of the new EU measures, as well as commencing the preparations for the planned amendments of the Law on Asylum and Temporary Protection of the Republic of Macedonia (foreseen for the end of 2008, beginning of 2009), it is necessary to provide training of the staff for the issues of examination of the best practices of the EU Member States, reception of applications and best practices in expelling of the rejected applicants where the procedure upon their applications is to be considered as final.

B. POLICE COOPERATION AND FIGHT AGAINST ORGANIZED CRIME, FIGHT AGAINST TERRORISM, COOPERATION IN THE FIELD OF DRUGS, CUSTOMS COOPERATION, JUDICIAL COOPERATION IN CIVIL AND CRIMINAL MATTERS

1. CURRENT SITUATION

a) LEGISLATION

Police Cooperation and Fight against Organised Crime

The main competencies of the Ministry of the Interior, its scope of operation, organisation of the Ministry, the special duties and authorisations of the authorised officials, the international cooperation, and the labour relations of the Ministry inclusive are regulated with the Law on Internal Affairs.²⁵ In accordance with this Law, 15 bylaws intended for its practical implementation were adopted, as well as a number of regulations on implementation of the law by the employees in the Ministry of Interior. *

With regards to the area of international police cooperation, in order to harmonise the existing legislation necessary for signing of the strategic and operative Agreement with EUROPOL, the Criminal Code and the Law on Criminal Procedure have been amended and the Law on Protection of Personal Data and the Law on Classified Information have been adopted.

The Criminal Code²⁶, the Law on Criminal Procedure²⁷, the Law on Witness Protection²⁸, the Law on Public Prosecutor's Office²⁹, the Law on Prevention against Corruption³⁰, the Law on Money Laundering Prevention and Other Proceeds of Crime³¹, as well as the Law

²⁵ ("Official Gazette of RM" No 19/95, 15/97, 55/97, 38/02, 13/03 and 19/04).

* The Review of the secondary regulations adopted pursuant to the Law on Home Affairs shall be contained in the Inventory of the existing legislation (Chapter 24. Justice, freedom and Security, Area: Police cooperation and fight against organized crime).

²⁶ (Official Gazette of RM No 37/96, 80/99, 4/02, 43/03, 19/04 and 81/05).

²⁷ (Official Gazette of RM No 15/97, 18/99, 44/02, 74/04 and 15/05)

²⁸ (Official Gazette of RM No 38/05 and 58/05)

²⁹ (Official Gazette of RM No 38/04)

³⁰ (Official Gazette of RM No 28/02 and 46/04).

on Financial Police³² constitute the legal framework governing the functioning of the system of institutions and incriminations in the criminal matter in the fight against organised crime.

The Criminal Code is fully harmonised with the European legislation. The 2004 amendments thereto³³ were aimed at strengthening of the measures for prevention and strengthening of the punitive and legal repression and at creation of instruments for fight against criminality, particularly through incorporation of the provisions for alternative punishing, criminal liability of legal persons, establishment of the criminal-judicial institute- confiscation of proceeds from crime, determination of new criminal acts and sanctioning of the new forms of money laundering, cyber crime and smuggling of migrants.

The 2004 amendments to the Law on Criminal Procedure³⁴, apart from the other, were due to establishment of normative basis for the suppression of organised crime and corruption, by determining the application of the specific investigation measures, ensuring protection of witnesses, collaborators of justice and victims, as well as by laying down the procedure for the establishment of the legal persons liability and confiscation of proceeds from crime.

The Law on Public Prosecutor's Office²⁶ strengthens the position of the public prosecutor in the criminal and legal system according to the Recommendations by the Committee of Ministers and provides for establishment of a special department within the Public Prosecutor's Office of the Republic of Macedonia. Pursuant to this Law, the Unit for prosecution of the perpetrators of criminal acts in the area of organised crime and corruption was established in October 2004, and the activities that fall under its scope of competences are being pursued by nine officers. In addition, this area is regulated by a number of bylaws.

As per the inter-institutional cooperation, the Public Prosecutor's Office of the Republic of Macedonia, pursuant to its legal obligation managed to strengthen the cooperation between the PPO and the other relevant institutions³⁵. Hence, a Memorandum for Cooperation among these institutions was prepared.

The Law on Financial police³⁶ constitutes a legal framework regulating the competencies and the scope of activities of the Financial Police as a body within the Ministry of Finance. In addition, this field is regulated with a number of bylaws.

The Law on Witness Protection³⁷ governs the procedure for witness protection, as well as the requirements for provision of protection and assistance to the witnesses included in the Protection Programme. Moreover, the measures for protection are also defined by this Law. A significant part of the provisions are related to the institutions competent for the decision-making process as regards the inclusion in the Protection Programme (Council for Witness Protection) and for the implementation of measures for protection (Unit for Witness Protection). All the relevant EU legislation has been incorporated during the drafting of the text of the law.

Pursuant to the Law on Criminal Procedure (as last amended), as regards certain precisely defined criminal acts, , beside the Ministry of the Interior, the authorisation for prosecution was also granted to the Financial Police and the Customs Administration of the Republic of Macedonia.

Fight against Terrorism

The measures and the activities which are to be undertaken with intention of more efficient fight against terrorism are regulated with a number of legal documents that govern the criminal and legal area or refer thereto. Those legal documents are as follow:

- Criminal Code of the Republic of Macedonia³⁸;
- Law on Criminal Procedure³⁹;
- Law on Money Laundering Prevention and Other Proceeds of Crime⁴⁰;
- Law on Asylum and Temporary Protection⁴¹;
- Law on Internal Affairs⁴²;
- Law on Intelligence Agency⁴³;
- Law on Public Prosecutor's Office⁴⁴.

³¹ (Official Gazette of RM No 46/04)

³² (Official Gazette of RM No 55/02)

³³ (Official Gazette of RM No 15/97, 37/96, 80/99, 4/02, 43/03 and 74/04).

³⁴ (Official Gazette of RM No 15/97, 44/02 and 74/04).

³⁵ (MI, Customs Administration of RM, Directorate for Prevention of Money Laundering, Public Revenue Office, Financial Police)

³⁶ (Official Gazette of RM No 55/02)

³⁷ The Law on Witness Protection was adopted on the session of the Assembly of the Republic of Macedonia, held on 19.5.2005 ("Official Gazette of RM" No 38/05).

³⁸ (Official Gazette of RM No 37/96, 80/99,4/2002 and 43/2004)

³⁹ (Official Gazette of RM No 15/97, 44/02 and 74/04)

⁴⁰ (Official Gazette of RM No 46/2004)

⁴¹ (Official Gazette of RM No 49/2004)

⁴² (Official Gazette of RM No 6p.19/95, 55/97, 38/02, 33/03 and 19/04)

⁴³ (Official Gazette of RM No 19/95)

⁴⁴ (Official Gazette of RM No 38/04)

The provisions of the Criminal Code of the Republic of Macedonia express the intentions of the legislator to align with and implement the international criminal law standards in the fight against terrorism. Namely, the domestic legislation incriminates all the acts, which, under the generally accepted standards and criteria, are considered as terrorist acts. The Article 313 of the Criminal Code incriminates Terrorism as a crime, Article 419 incriminates the actions of the perpetrators of International terrorism, and Article 394a of the Law Amending the Criminal Code (Official Gazette of RM No. 19/04) also incriminates Creation of terrorist organisation, and the financing, public incitement, instigating or supporting the creation of such organisation. Furthermore, more severe sanctions for crimes related to terrorism have been introduced.

The Law on Prevention of Money Laundering and Other Proceeds from Crime regulates the area of terrorism as well.

The measures and activities for detection and prevention of money laundering and other proceeds from crime are incorporated within the Law on Prevention of Money Laundering and Other Proceeds from Crime. The organisation and the control over the enforcement of these measures and activities are regulated by this Law as well.

The provisions of the Law on Asylum and Temporary Protection, prescribe that any activity against the constitutional system of the Republic of Macedonia, any crime against humanity or international law, the purposes and principles of the United Nations, represent a ground for cessation of the right to asylum, i.e. the refugee status (Article 6).

The provisions of the Law on Internal Affairs (Article 13) define the competence of the Ministry of the Interior (The Directorate for State Security and Counterintelligence) to perform activities related to suppression of terrorism.

The provisions of the Law on Intelligence Agency (Article 2), prescribe the responsibility of the Intelligence Agency in gathering data and information of significance for the security of the Republic of Macedonia.

The legislative setting in the Republic of Macedonia clearly indicates the intention of the Republic of Macedonia to ensure its participation in the international cooperation in the fight against terrorism.

The Republic of Macedonia has ratified the following international conventions on fight against terrorism:

- Convention on Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents;
- International Convention against the Taking of Hostages;
- Convention for the Suppression of Unlawful Seizure of Aircraft;
- Convention on Offences and Certain Other Acts Committed on Board Aircraft.
- Convention on Physical Protection of Nuclear Material;
- Convention for Suppression of Unlawful Acts against the Safety of Civil Aviation;
- Protocol on Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to Convention for Suppression of Unlawful Acts against the Safety of Civil Aviation;
- International Convention for Suppression of Terrorist Bombing;
- International Convention for the Suppression of the Financing of Terrorism;
- European Convention on the Suppression of Terrorism;
- European Convention on Extradition and the Additional Protocols to the European Convention for Extradition;
- European Convention on Mutual Legal Assistance in Criminal Matters;
- Additional Protocol to European Convention on Mutual Legal Assistance in Criminal Matters;
- Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime.

Cooperation in the Field of Drugs

The main objectives of the existing legislation of the Republic of Macedonia covering the cooperation in field of drugs are the protection of the people's health, tackling of the social problems and the use of narcotic drugs. The Law on Production and Trafficking in Narcotic Drugs⁴⁵, the Law on Designating Bodies to Conduct Certain Activities in the Field of Production and Trade in Narcotics⁴⁶, the Law on Precursors⁴⁷, and the Law on Keeping Health Records⁴⁸ constitute the legal framework that governs the production, the trafficking and the control of narcotic drugs and psychotropic substances. This area shall also be regulated with a number of bylaws.

The Republic of Macedonia has ratified all three UN conventions for the control of drugs: The 1961 Single Convention for Narcotic Drugs, supplemented with the 1972 Protocol thereto, the 1971 Convention for Psychotropic Substances and the 1988 United Nations Convention against the Illicit Trafficking in Narcotic Drugs and Psychotropic Substances.

⁴⁵ (Official Gazette of SFRY No 13/91)

⁴⁶ (Official Gazette of RM No 24/83)

⁴⁷ (Official Gazette of RM No 37/2004)

⁴⁸ (Official Gazette of RM No 22/78, 37/79, 18/88 and 15/95).

The Law on Production and Trafficking in Narcotic Drugs regulates the requirements for production, the trafficking and the control of narcotic drugs. This law has been aligned with the 1988 UN Convention against the Illicit Trafficking in Narcotic Drugs and Psychotropic Substances and it provides definition on the narcotic drugs and lays down the competencies and responsibilities of any party involved in the production, trafficking, records keeping, transit and control of narcotic drugs.

The Law on Designating the Bodies to Conduct Certain Activities in the Field of Production and Trade in Narcotics is determining the authorities competent for pursue of certain activities in the area of production and trade in narcotic drugs.

The Law on Precursors governs the system on monitoring and control over the production and trade in precursors aiming at prevention of the diversion of precursors to illicit production of narcotic drugs and psychotropic substances, as well as protection of human life and health and environmental protection from the adverse impact of the precursors. The law has been aligned with Article 12 of the UN Convention on Narcotic Drugs and Psychotropic Substances and with the following EU measures: 31990R3677, 31992R0900, 32001R1116, 31992L0109.

The Law on Keeping Health Records determine the records in the area of health which serve as a source of data as regards the statistical researches and shall be used for monitoring and studying the health condition of the population, programming, planning and undertaking the requisite measures in the area of health protection. These legal regulations shall, *inter alia*, provide for records-keeping on receipt and issuance of narcotic drugs, records on the narcotic drugs users, as well as the data to be contained in the records.

The Rulebook on the Contents and Manner of Keeping Records and the Reporting and Deadlines for Submission of Data on Production and Sales of Narcotic Drugs determines the forms of records to be kept by the operators involved in the production, purchase, processing of opium poppy, import, export and sales of narcotic drugs.

The Rulebook concerning the Conditions and the Procedure for Issuance of Authorisations for Import and Export of Narcotic Drugs and Products Containing Narcotic Drugs determines the requirements under which the authorisation for narcotic drugs are issued and stipulates the contents of the application for import or export.

The decisions laying down the narcotic drugs that can be placed on the market for medical and veterinary purposes include a list of narcotic drugs that can be used in the therapy.

The Rulebook concerning the Detailed Conditions, Equipment and Staff for Establishment and Operation of the Health Organisation governs the minimum requirements for commissioning and functioning of the health organisations.

Customs Cooperation

The Customs law⁴⁹, enforced as of 01.01.2006 is governing the rights and obligations of persons and customs authorities as regards goods in passengers' circulation and circulation between the customs territory of the Republic of Macedonia and the foreign customs territories.

The Customs law led to full harmonisation of the national with the legislation of the European Union, whereas the Council Regulation (EEC) of 1992 establishing the Community Customs Code (31992R2913) served as a model.

The Decree implementing the Customs Law⁵⁰ (mainly harmonised with the Regulation of the European Union (31993R2454)) laying down the provisions for the implementation of the above mentioned regulation is aimed to the achievement of a significant level of alignment of the domestic secondary legislation with the legislation implementing the Customs Regulation of the European Union, which was not the case before.

The application of the new Law on Customs Administration commenced in 2004. With the decree for its enforcement a basis for efficient operation and execution of tasks that are to be enforced in the customs area was provided. For the first time, the customs officers were given authorisation for full implementation of all customs procedures in accordance with the EU standards, as well as in the criminal procedure in the part of customs amendments.

The Law on Customs Administration regulates the cooperation with all state bodies in view of detecting and prevention of customs misdemeanours and criminal acts.

With the last amendments to the Law on Criminal Procedure of 2004, the authorisations of the Ministry of the Interior in the pre-trial and trial investigation, now also belong to the authorised officials within the Customs Administration of the Republic of Macedonia.

⁴⁹ (Official Gazette of RM No 39/2005)

⁵⁰ (Official Gazette of RM No 66/2005)

The Code of Ethics of the Customs Officers was adopted in 2002, while the Rulebook on the Type of Documents and Data Classified as Official, Business and Other Secret, the Manner of their Maintenance and Protection and the Rulebook on Carrying and Use of Weapons by the Customs Officers were adopted in 2005.

The Memorandum for Cooperation in Prevention and Combating of Organised Crime and Other Types of Crime in the Republic of Macedonia was signed on 18.11.2004 between the Ministry of Finance and the Ministry of Interior, invoking the actual measures and activities for the combat of organised crime. The aim of this memorandum is to regulate the cooperation on the prevention and fight against organised crime.

In order to undertake specific joint activities, the Ministry of Finance (Customs Administration) and the Ministry of Interior (Public Security Bureau) have signed a Protocol for implementation of this Memorandum on 13.12.2004. This Protocol regulates the manner of cooperation, coordination and joint action between these authorities, with the aim to detect and prevent the organised crime and certain other forms of crime and offences in the Republic of Macedonia.

A Protocol for Cooperation in Prevention and Combating of Organised Crime and Other Types of Crime in the Republic of Macedonia was signed on 09.12.2005 between the Customs Administration of RM, the Public Revenues Office, the Directorate for Prevention of Money Laundering and the Financial Police. This Protocol regulates the manner of cooperation, coordination and joint action among these authorities, with the aim to detect and prevent the organised crime and certain other forms of financial crime in the Republic of Macedonia.

Judicial Cooperation in Civil and Criminal Matters

The procedure for providing legal assistance fulfilling the obligations prescribed by international conventions for civil and criminal cases, in the Republic of Macedonia is regulated by the national legislation, unless otherwise prescribed by international conventions.

Pursuant to the Article 118 of the Constitution of the Republic of Macedonia, the ratified international treaties represent part of the national legislation and cannot be changed by domestic law. In accordance with Article 119 of the Constitution, the President of the Republic of Macedonia concludes international conventions on behalf of the Republic of Macedonia. The Government of the Republic of Macedonia is also entitled to conclude international conventions in cases prescribed by law.

The international legal assistance in criminal cases is granted according to provisions of the Law on Criminal Procedure unless otherwise regulated by the European Convention on Mutual Legal Assistance in Criminal Matters with Additional Protocols, the United Nations Convention on Trans-national Organised Crime and other international conventions ratified in accordance with the Constitution of the Republic of Macedonia

Pursuant to the Law on Criminal Procedure, the procedure for transferring convicted persons is carried out according to the provisions of this Law, unless otherwise regulated by the European Convention on Transfer of Convicts with Additional Protocol and other international conventions ratified in accordance with the Constitution of the Republic of Macedonia.

In addition to the aforementioned European Convention on Mutual Legal Assistance in Criminal Matters with Additional Protocols, the following international conventions relating to this area are adhered to: the European Convention on Extradition with its Additional Protocol and the Second Additional Protocol; the European Convention on Transfer of Convicts with the Additional Protocol; the European Convention on Laundering, Search, Seizure and Confiscation of Proceeds from Crime; the UN Convention against Corruption; the European Convention on Cyber Crime; the European Convention on Transfer of Proceedings in Criminal Matters; the United Nations Convention on Trans-national Organised Crime with its Two Additional Protocols, as well as the Second Additional Protocol on Mutual Legal Assistance in Criminal Matters.

The Law on Civil Procedure of the Republic of Macedonia contains general provisions regulating the procedures for mutual legal assistance in civil cases mostly in regard to court jurisdiction (Articles 170 to 174) and it is harmonised with the Hague Convention on Civil Procedures from 1951.

The Republic of Macedonia, concluded a serial of bilateral agreements in the area of civil and criminal law (with the Republic of Croatia, Republic of Slovenia, Republic of Albania, Republic of Bulgaria, Republic of Turkey, Ukraine, Romania, Bosnia and Herzegovina) , as well as an 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 (through exchange of letters of consent) which entered into force on 12.11.2004.

The Republic of Macedonia, on the basis of succession, applies several agreements related to this area which were concluded by the former Socialist Federative Republic of Yugoslavia. Some of the agreements, relate completely, and some partially to the recognition and enforcement of foreign judicial decisions.

Foreign decisions (i.e., legal separation, divorce, marriage annulment, parental responsibility, maintenance obligations) in family law matters are recognised and enforced on the basis of the same legislation as other decisions in civil matters.

STRATEGIC DOCUMENTS

- Police Reforms Strategy⁵¹
- Action Plan implementing Police Reforms Strategy⁵²
- Action Plan for suppression of organised crime⁵³,
- 2005 Action plan for Witness protection (February 2005);
- Draft Strategy for implementation of the Law on Witness Protection (March 2005);
- Project – Strategy for implementation of the Law on Witness Protection (May 2005);
- Strategy for Combating Illegal Immigration and Trafficking In Human Beings, with the Action Plan (21 March 2006)
- Project for keeping the secrecy of the identity and preparation of documents for personal identification (February 2005);
- National conception for security and defence⁵⁴
- National strategy for fight against money laundering and financing of terrorism⁵⁵
- National programme for suppression of the abuse of drugs and illicit traffic in drugs⁵⁶
- Strategy on development of the Customs Administration of the Republic of Macedonia (2004-2008)
- Strategy for judiciary reform and an Action plan.

c) INSTITUTIONS

Police Cooperation and Fight against Organised Crime

The Ministry of the Interior is pursuing its legal competencies in the part relating to internal affairs.

The implementation of the police reform process enabled an establishment of a new organisational structure in the Ministry of the Interior, which should facilitate high level of effectiveness and cost-efficiency in the accomplishment of the activities by the operational services within the Ministry, in direction of fulfilling of the main police functions. To this end, pursuant to the new organisational structure, the Ministry of the Interior,, beside the Public Security Bureau, with its advisory services competent for strategic, conceptual planning and determination of the general guidelines and operational standards, comprise operative services (Central Police Services, Regional Centres for Border Affairs and Departments for Internal Affairs), as well as services competent for coordination, international cooperation, public relations of the Ministry, i.e. organisational units competent for administrative and logistical support.

The Central Police Services which pursue their activities under the principle of hierarchical subordination and centralised operation on the territory of the Republic of Macedonia were established for the purposes of pursuing the police operations requiring high level of specialisation, and due to effective and cost-efficient accomplishment of certain specific and complex assignments, as well as for the needs of the Departments for Internal Affairs and the Regional Centres for Border Affairs.

These services shall pursue activities in the area of organised crime, crime technique; provision of support in the execution of certain specific and complex operations under the Department for Internal Affairs and the Regional Centres for Border Affairs and by the special police units, and other activities and tasks.

In accordance with the European standards and guidelines, within the new organisational structure of the ministry, organisational units specialised for certain area have been established (Organised Crime Department, Unit for Witness Protection, Department for Crime and Intelligence Analysis, Unit for Human Resources Management), whose competencies are precisely defined by Law and bylaws.

Moreover, the Ministry of the Interior persistently works on the enhancement of the role of the police as a public service, improvement of the police effectiveness, organisation, professionalism and cost-efficiency in the police operation, technical and technological equipment, responsibility and motivation of the employees and strengthening of the international cooperation.

The following institutions are competent for fight against organised crime: The Ministry of Finance – Financial Police, Directorate for Prevention of Money Laundering⁵⁷, Customs Administration of the Republic of Macedonia, Public Prosecutor's Office of the Republic of Macedonia, which comprises a special Unit for Prosecution of Perpetrators of Criminal Act in the Area of Organised Crime and Corruption and the Ministry of the Interior.

The Department for organised crime within the Ministry of the Interior includes the following organisational units: Sector for Financial Crime, Sector for Illegal Trafficking in Weapons and Hazardous Substances, Sector for Trafficking in Drugs; Sector for International

⁵¹ In the process of reforms realized in August 2003, the Government of the Republic of Macedonia adopted the Strategy for Reforms in the Police.

⁵² The revised and updated version of this plan was adopted by the Government of the Republic of Macedonia in January 2005.

⁵³ Adopted in November 2003.

⁵⁴ (Official Gazette of RM No 40/03)

⁵⁵ The Strategy was adopted by the Government of RM on 30.06.2005

⁵⁶ (Official Gazette of RM No 35/96)

⁵⁷ (see for further details in Chapter 4. Free movement of capital)

Police Cooperation; Sector for Violent Crime; Sector for Criminal Intelligence and Analysis; Sector for Special Investigative Techniques, Witness Protection Section, Section for Target Searches and Work Quality Control Section.

The Financial Police is a body within the Ministry of Finance and comprises the following departments:

- Unit for collecting information and development of a case
- Investigation Unit
- Unit for IT expertise

Fight against Terrorism

In the Republic of Macedonia, the institutions listed below appear as competent institutions for undertaking measures for fight against terrorism; The Ministry of the Interior, the Ministry of Foreign Affairs, the Ministry of Defence, the Ministry of Justice, the Ministry of Finance, the Intelligence Agency and the Public Prosecutor's Office of the Republic of Macedonia (established as a state authority competent for prosecution of the perpetrators of criminal acts, including the criminal act "terrorism", as well as the criminal acts related to terrorism).

- The Ministry of the Interior undertakes measures for fight against terrorism through the Directorate for Security and Counterintelligence (Article 13 of the Law on Internal Affairs and the Rulebook on Operation of the Directorate, established as a body within the Ministry of the Interior;) and through the Sector on Antiterrorism, established in accordance with the "Declaration against the terrorism in the Republic of Macedonia" and Special Forces (Special Tasks Unit and the Rapid Deployment Unit), which are specially trained and responsible for acting in situation of crisis, such as: hostage situations, hijacking airplanes etc., as well as defeating direct resistance.
- The Directorate for Prevention of Money Laundering, which represents an administrative model of a financial intelligence unit and acts as a mediator between the law-enforcement bodies and the private sector in preventing financing of terrorism (Law on Preventing of Laundering Money and other Proceeds of Crime).
- The Intelligence Agency, the Ministry of the Interior through the relevant units, within their competencies, gather data and information on detecting, monitoring, documentation and surveillance of the activity of individuals and groups, illegal groups and organisations, as well as on the activities of foreign international terrorist organisations, groups and individuals directed towards endangering the constitutional system of the Republic of Macedonia, and its political, economic and other interests at home and abroad. Moreover, these services work on prevention and suppression of terrorist threats, detection of the perpetrators of terrorist acts and other crimes related to the terrorism, detecting and disassembling explosives devices and conducting negotiations in hostage situations.
- Within the framework of the Public Prosecutor's Office functions a Unit for Prosecution of Perpetrators of Criminal Act in the Area of Organised Crime and Corruption

In line with the commitments stemming from the UN Resolution 1267 (1999), the Government of the Republic of Macedonia established an Interdepartmental Coordinative Body on 25.06.2002, which is entrusted with the coordination of all the activities for fight against international terrorism, including the implementation of the UN Security Council Resolution 1373 from 2001. This body was established within the Ministry of Foreign Affairs and consists of representatives from: the Ministry of the Interior, the Ministry of Defence, the Ministry of Justice, the Ministry of Finance and the Intelligence Agency.

Pursuant to the Decision of the President of the Republic of Macedonia and the President of the Government of the Republic of Macedonia (DT No. 07-9 from 17.09.2003 and DT No. 66/1 from 1.09.2003), the security services and agencies (Sector for Security and Intelligence within the Ministry of Defence, State Security and Counter-intelligence Service within the Ministry of Interior, and the Intelligence Agency) participating in the fight against terrorism, are exchanging data and information on the existence of terrorist threats, on preparation and detection of terrorist activities and on their perpetrators on regular basis.

The Government of the Republic of Macedonia has concluded agreements for bilateral cooperation in the fight against terrorism with the governments of: Turkey (1992); Slovenia (1995); Croatia (1997); Bulgaria (2002); Serbia (2003); Montenegro (2003); Romania (2003); and Albania (2004).

In that direction, the security services of the Republic of Macedonia, by fulfilling their obligations for suppression of terrorism are exchanging information for the preventive activities, i.e. revealing of the organizers, executors and logistics of the terrorist activities, via the representatives of the foreign security services and expert teams. The exchange of data, knowledge and information is conducted through designated liaison officers in the Republic of Macedonia. Actually, the Republic of Macedonia cooperates with the services and agencies from the following countries: Albania, Bulgaria, United Kingdom, FR Germany, Hellenic Republic, Italy, USA, Russian Federation, French Republic, Turkey and Croatia. Cooperation and immediate contacts were also established with the authorised representatives from Serbia and Montenegro, Slovakia and the UN Mission in Kosovo – UNMIK.

Liaison officers from the Ministry of the Interior and the Customs Administration of the Republic of Macedonia have been appointed in the SECI Centre in Bucharest, whereas the Department for antiterrorism has participated with its representative in the operation of the "Antiterrorism Task Force", chaired by Turkey.

Cooperation in the Field of Drugs

In accordance with the existing legislation, the Ministry of Health provide for the conditions for production and trafficking of narcotic drugs. The procedure for issuing authorisations for production, import or export of narcotic drugs, within the Ministry of Health, is conducted by the Bureau of Medicines, whereas the State Sanitary and Health Inspectorate carry out control and surveillance of the production and trade in poisons. The State Sanitary and Health Inspectorate are responsible for keeping of the records as well. The Ministry of Health through the Bureau of Medicines files reports on the trade and production of narcotic drugs, psychotropic substances and precursors to the International Board for Narcotics.

The Ministry of Agriculture, Forestry and Water Economy which is competent for determination of the areas sown under opium poppy, and concludes individual agreements with the producers of opium poppy, keeps records thereon and submits the data from the records to the Ministry of Health.

The Republic Institute for Health Protection is pursuing laboratory analysis on the pharmaceuticals which contain narcotic drugs and psychotropic substances, keeps records and is pursues statistical processing as regards the number of drug-addicts and treated patients.

Customs Cooperation

The Customs Administration which is an authority within the Ministry of Finance of the Republic of Macedonia is the competent institution for enforcement of the customs legislation. The Customs Administration is responsible for the control of the goods crossing the border line at the official border crossing points, and at the same time is responsible for the accomplishment of a number of other tasks, prescribed under the new laws and regulations.

All departments within the Customs Administration, especially the Control and Investigation Sector are ex officio included in the fight against frauds. Within the Sector for Control and Investigation, the following organisational units exist:

- Coordination Service
- Customs Intelligence Unit
- Investigation Unit – Service for Prevention of Business Crime and Service for Prevention of Smuggling
- Trade Companies Control Unit - five services included
- Operational Affairs Department
- Risk Analyses Unit and Analytical and Statistical Service

Judicial Cooperation in Civil and Criminal Matters

Pursuant to the Law on Litigation procedure⁵⁸, the Criminal Code⁵⁹ and the Law on Criminal Procedure⁶⁰, the following institutions are responsible for the judicial cooperation in civil and criminal matters: the Ministry of Justice (Sector for international legal aid); the Supreme Court (as the highest court in the country, which ensures uniform application of the laws by the courts); the Appellate courts (which are second-instance courts competent for deciding upon the appeals against the decision of the basic courts); the basic courts (as first-instance courts and which are competent for deciding in first instance upon the cases under court jurisdiction in criminal, civil, extrajudicial matters and misdemeanours; the Public's Prosecutors Office of RM (which prosecutes the perpetrators of criminal and other punishable acts as determined with law) and the Public Attorney's Office of the Republic of Macedonia (which has been established as a service to the Government of RM that undertakes measures and legal instruments, as laid down with law on legal protection of the property rights and interests of RM, and pursues other activities as determined by law).

The Ministry of Justice – Sector for International Legal assistance (responsible for claims maintenance, in accordance with the New York Convention on the Recovery Abroad of Maintenance is responsible for:

- monitoring of the proper application of international agreements and bilateral agreements;
- monitoring of the Conventions ratified by the Assembly of the Republic of Macedonia and its implementation in cases of international legal assistance;
- keeping records of extradition cases, transfer, and cases of interest for the Council of Europe and the European Union relating suppression of organised crime;
- preparing reports and analysis in the area of international legal assistance for the President of the Republic of Macedonia, the Assembly of the Republic of Macedonia and the Government of the Republic of Macedonia;
- monitoring of the operation of the courts and assisting in the application of international and bilateral agreements;
- cooperation with the Ministry of the Interior – Interpol and the penitentiary institutions in the Republic of Macedonia, for cases of persons in detention pending extradition or persons serving prison sentence;

⁵⁸ (Official Gazette of RM No 79/05),

⁵⁹ (Official Gazette of RM No 37/96, 80/99, 4/02, 43/03 and 19/04)

⁶⁰ (Official Gazette of RM No 15/97; 18/99; 44/02; 74/04 and 15/05)

- cooperation with the diplomatic and consular missions in the Republic of Macedonia, as well as the diplomatic and consular missions of the Republic of Macedonia accredited abroad.

The Republic of Macedonia has notified the New York Convention of June 20, 1956 on the Recovery Abroad of Maintenance that regulates the area of maintenance at the United Nations (Depositary Notification). The Republic of Macedonia has designated the Ministry of Justice as a responsible authority for submission of applications (which shall act as Transmitting Agency) and the Ministry of Labour and Social Policy for receiving the applications (which shall act as Receiving Agency).

The Centre for Social Affairs, competent according to the respondent's residence is a mediator in the procedure for recovery of maintenance and also, the Court, in cases where the respondent does not fulfil his/her obligation voluntarily.

2. PLAN

2.1 SHORT-TERM PRIORITIES

a) LEGISLATION

Police Cooperation and Fight against Organised Crime

The procedure for adoption of a Law on Police governing the new police structure, the new operational methods and the prevention and suppression of any form of crime, particularly the trans-national crime is underway. The Draft Law on Police ensures establishment of a security structure based on the democratic principles, focusing on humans, respect of their fundamental freedoms and rights and their protection, as well as legacy and legitimacy in the operations of the new police structure. Furthermore, the draft text of the law is harmonised with the Universal Declaration of Human Rights⁶¹ and the European Convention for Protection of Human Rights and Fundamental Freedoms⁶², international instruments guaranteeing the corpus of human and civil rights and freedoms. The Draft Law on Police takes account of the obligations of the Republic of Macedonia arising from the membership in the Council of Europe, regarding the observance of the recommendations and guidelines contained in the European Code of Police Ethics, and particularly in the process of establishment of the common European principles, guidelines and responsibilities of the police ensuring of safety for the citizens in a democratic society, pursuant to the principle of rule of law. This Draft Law is fully complied with the European Police Charter and the Resolution on the Declaration on the Police which aim is the improvement of the European system for protection of human rights, through acceptance of the rights concerning the professional police ethics, pursuant to the principles for protection of human rights and fundamental freedoms. The Draft Law on Police is aimed at establishment of relevant basis for public security with precisely defined rules of conduct of the police officers as well.

For the process of use of police authorisations, it is crucial to transpose the Principles for the Protection of all Persons under Any Form of Detention or Imprisonment (1988) and the UN Basic Principles for Use of Force and Firearms by the Law Enforcement Officials (1990), which regulate the use of firearms against persons in closely defined situations of self-defence or defence of other persons under immediate threat of death or severe injuries, when it is necessary to prevent the commitment of particularly severe punishable act, which contains direct threat and is opposed to their authority or in prevention of redemption of such person, only in case when the milder means of action are insufficient for the accomplishment of such objectives. Nevertheless, the deliberate lethal use of firearms shall be permitted when considered as indispensable for the protection of life solely.

The Law on Police provides for adoption of a serial of bylaws⁶³ that will ensure implementation of the law within 12 months upon the adoption thereof.

⁶¹ Adopted by the General Assembly of the United Nations on 10 December 1948, thereby enabling accomplishment of the general standard for observance of the fundamental human rights and freedoms.

⁶² Concluded on 4 November 1950, in Rome, and enforced on 3 September 1953. Ratified by the Republic of Macedonia in 1997 (Law on Ratification of the Convention for protection of the human rights and fundamental freedoms and of the First Protocol, Protocol No 4, Protocol No 6, Protocol No 7 and Protocol No 11 annexed to the Convention, Official Gazette No 11/97 and Law on Ratification of Protocol No 12 to the Convention, Official Gazette 30/04).

⁶³ Guidelines on the Manner of Work of the Health Commission in Charge of Determining the Psychologically-Physical and Health Ability of the Police Officer for Performing Police Tasks

- Rulebook on Determining the Criteria and Manner of Evaluation of the Work of the Police Officers with a Form of an Evaluation Paper and the Manner of Keeping Records

- Programme for Professional Training of the Police Reserves

- Decree on the Conditions for Acquiring the Titles and Title Ranks of the Police Officers

- Decree on the Uniform and Insignia of the Police Uniform

- Decree on the Armament and Equipment of the Police Officers

- Rulebook on Performing Police Tasks

- Rulebook on the Procedure for Issuing an Official Identification Document, Police Badge and the Form of the Official Identification Document and Badge.

- Rulebook on Wearing and the Lasting of the uniform of the Police

- Guidelines on the Manner of Handling Temporarily Dispossessed and Found Objects

- Rulebook on Manner of Selection of a Police Officer Sent to Work Abroad,

- Rulebook on Determining Career Development and Human Resources Management

- Guidelines on the Manner of Conduct and Interrelations of the Police Officers

A delegation from the Ministry of Interior will attend a meeting in the EUROPOL Headquarters in The Hague, continuing the close cooperation with EUROPOL, particularly directed to the level of protection and classification of the exchanged data. The EUROPOL Member States are expected to ratify the Strategic and Operational agreement henceforth.

The adoption of the Draft Law on Financial Police by the Assembly is pending. Its adoption shall ensure incorporation of single definitions, incriminations, sanctions for money laundering, i.e. identification, monitoring, freezing and seizure of proceeds from crime, as well as strengthening of the international cooperation in the fight against organised crime among the specialised agencies competent for prosecution of organized crime, which implies implementation of the EU measures 31996F0747 and 32001F0500.

The implementation of the Law on Weapons and the adoption of its by-laws are planned for 2007.

The Unit for Human Resources Management within the MI is currently working on developing and future implementation of the Strategy for Human Resources and Police Training.

The Witness Protection Section within the Ministry of Interior is preparing a Rulebook on the Form and Contents of the Questionnaire, filled in by the person with whom the agreement is to be signed.

Fight against Terrorism

The Law on Interception of Communications is in parliamentary procedure. The provisions of this law comply with the legislation of the European Union.

There are projections for ratification of the Convention of the Council of Europe against Laundering, Search, Seizure and Confiscation of Proceeds from Crime and on the Financing of Terrorism signed on 17 November 2005, as well as of the Convention for the Suppression of Acts of Nuclear Terrorism signed on 16.9.2005.

Cooperation in the Field of Drugs

There are plans for adoption of a new Law on Narcotic Drugs and Psychotropic Substances. The organisation, authorisations and the tasks of the state authorities competent for the control of the production and trade in narcotic drugs and psychotropic substances; the measures for the suppression of the illicit production and trafficking in narcotic drugs and psychotropic substances and the measures for prevention of the use and abuse, as well as treatment, rehabilitation and social reintegration of the drug addicts are to be governed by this law. The law will be in full compliance with the UN Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances and with the EU legislative measure 32000R1673.

The drafting of the National Strategy on Drugs Control (2005-2012) is underway. It shall provide for multi-departmental approach in the prevention of the abuse of drugs, reduction of the demand of drugs and the treatment of the addicts.

Customs Cooperation

By the end of 2006 the Convention on Temporary Admission (Istanbul Convention) and the Revised Kyoto Convention on the Simplification and Harmonisation of Customs Procedures are expected to be ratified. .

Judicial Cooperation in Criminal and Civil Matters

Taking into consideration that to this date, the Republic of Macedonia has applied the former regulations of SFRY, the need for alignment of the national legislation with the legislation of the European Union as regards the recognition and enforcement of foreign court decisions has been identified. Pursuant to the Draft Strategic Plan of the Ministry of Justice, it is expected that the Law on Resolving Conflicts of Laws with Regulations from Third Countries in Certain Relations will be adopted in December 2006.

b) INSTITUTIONS

Police Cooperation and Fight against Organised Crime

The new Law on Police shall provide for functioning of the Police as a part of the Ministry of the Interior, pursuant to the new objectives and activities for restructuring of the organisational units of the ministry that arise from the police reform implementing process. Observed from a police aspect, there is no need for establishment of new institutions.

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- *Guidelines on the Manner of Conducting General and Expert Supervision and Control*
 - *Guidelines on the Manner of Enrollment and Engaging the Members of the Police Reserves*
 - *Rulebook on the Psychologically-Physical and Health Ability of the Person Establishing a Working Relation with the Police, the Manner of their Determination, the Deadlines and Manner of Control of the Psychologically-physical and Health ability of the Police Officers*
 - *Police Code of Conduct*
 - *Rulebook on the Form and Contents of the Form and Manner of Keeping Police Records*

With regard to the cooperation established between the Ministry of the Interior and the competent authorities and institutions, it is provided for maintenance and improvement of such cooperation among the Ministry of the Interior, the Public Prosecutor's Office, the Courts with relevant jurisdiction, the Customs Administration of the Republic of Macedonia, the Financial Police, and the Directorate for Money Laundering Prevention.

The police, also cooperate with foreign police services and international police organisations and institutions, in accordance with the ratified international agreements and the membership in the international police organisations and institutions,

Within the Organised Crime Department, a new Sector for Criminal Intelligence and Analysis is founded where 16 executive officers are working at the moment and 9 more (by transfer) are planned with the systematisation act. Two databases on the level of the Department for Organised Crime function within this Sector: database for illicit trafficking in weapons and database for illicit drug trafficking. However, these databases are available to all organisational units within the Ministry of Interior. A new I-2 licence (intelligence data software) with a financial value of 10 000 pounds has been donated by the British Embassy. Database and software solutions for the same are in process of preparation, by which other forms of crime can be registered, such as human trafficking, migrants smuggling, homicide, financial crime and its form of cyber crime. For that purpose, a new "I – base" software donation with a value of 50 000 pounds by the British Embassy is currently in progress, within the frames of the agreement for technical cooperation and institutional strengthening for criminal analysis between the MI and the British Embassy.

Along the technical equipping, trainings for the employees are being conducted. During the month of October 2005, training was carried out for studying the "I-2" analyst notebook software intended for the criminal and intelligence analysis. During the month of February 2006, two new trainings were carried out for analytical techniques and the intelligence process. It is planned for these trainings to be regularly carried out according to Annual Work Plan of the Sector for Criminal Intelligence and Analysis.

Budget funds of 90 000 Euros were earmarked for equipping of the forensic laboratory and crime-technique equipment., A training within the premises of the laboratory is planned for the users and will be carried out by a authorised maintaining person (min. 3 days), after the full installation of the equipment. Training in the laboratories of the equipment's producer concerning the model bought and installed, for 3 persons, 6 months after the installation is foreseen as well.

Pursuant to the Law on Internal Affairs and the Draft Law on Police, the Ministry of the Interior is also responsible for undertaking measures for prevention of counterfeiting the Euro and other foreign currencies by timely detection and apprehension of the counterfeiters and others involved in the resale process. For that purpose, a new Section for Cyber Crime and Forgeries is founded within the Organised Crime Department – Sector for Financial Crime that will work on the suppression and detection of counterfeiting the Euro and other foreign currencies. According to the systematisation and organisation act, four of the foreseen six working posts are staffed.

Besides this Section, there is the Sector for Criminal and Laboratory Inspection within the Forensic Department that is working on providing evidences for identifying counterfeiting banknotes and coins of foreign currencies by applying proper technical analysis. According to the systematisation act, four of the foreseen five working posts are staffed in this Sector.

In the part for use of special investigative measures, a new Sector for Special Investigative Techniques is founded. Three new Sections are established with the Annual Work Plan of the Sector:

- Section for Operative Surveillance and Documenting
- Section for "Undercover " Operations
- Section for Electronic Surveillance and Documenting.

Two Sections with 70 executive officers are currently operative. After the adoption of the Law on Interception of Communications, institutional strengthening of the Section for Electronic Surveillance and Documenting is planned by hiring 25 new executive officers (by transfer).

Taking into consideration the specification and the nature of the working assignments, continuous engagement for selection of executive officers in the Section for Operative Surveillance and Documenting and in the Section for "Undercover "Operations, is in progress. Along with this process, training for the employees is carried out, whereby initial training of authorised officials within the Sector for Special Investigative Techniques is provided, as well as further specialised trainings for employees of the Sector.

Within the framework of the Financial Police there is a project for employment of 15 new persons.

The employment of 4 new persons by the Unit for Prosecution of Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption within the Public Prosecutor's Office of the Republic of Macedonia in the course of 2006 appears as necessity.

Fight against Terrorism

Training for the employees of SSI "Measures fitting the terrorist act (bombing)" will be organised under the ATA programme of the State Department of USA, within the period of 06.03 to 24.03.2006.

Cooperation in the Field of Drugs

The Law foresees establishment of several new centres. National Centre for Collecting Data, National Centre for Treatment, Reduction of Damages, Social Re-integration and Re-socialisation and National Centre for Prevention of Drugs. The function of these centres will be taken over from the institutions that already exist and have already pursued similar activities.

The function of a National centre for Collecting Data will be taken over by the Republic Institute for Health Protection, which shall pursue collection of data as regards the number of addicts, types of drugs used, age structure, data on seizure etc. It is foreseen for this centre to be linked with the European Centre for Monitoring of Drugs and Addictions (EMCDDA) and for that purpose the staff should be strengthened with yet another person.

The function of a National Centre for Treatment, Reduction of Damages, Social Reintegration and Re-socialisation will be taken over by the Psychiatrist Hospital Skopje, which shall be assigned the role of coordinator of the activities of the services for prevention and treatment from the abuse of drugs within the neuropsychiatry departments under the general hospitals.

The Law also foresees enhancement of the prevention of drugs through increase of the competencies and activities of the Information Centre of Medicines which shall take over the function of a National Centre for Prevention of Drugs. As for the successful functioning of the Centre, there is a need for strengthening of the staff by employment of 2 persons. The Information Centre of Medicines has already been established and functions. The scope of competencies shall be broadened and in cooperation with MI and the Ministry of Education and Science it shall be involved in the education, continual education aimed at prevention from abuse of drugs.

It is foreseen the inspection surveillance to be carried out by the inspectors from the Bureau of Medicines. Regarding the inspection surveillance, further staffing with 6 new employees and fulfilling of relevant specific trainings appears as a necessity.

There is ongoing process for issuance of authorisations for pursuing prevention and treatment of persons using or abusing drugs to a health organisations carrying out hospital protection and comprising departments for neuropsychiatry or psychiatry.

According to the National Strategy on Drugs Control (2005-2012), 6 centres are already established and further establishment of new centres it is planned. The strengthening of the staff with another 50 persons due to the creation of teams and technical equipment and implementation of specific trainings and specialisations for the employees and newly employed persons is necessary.

Customs cooperation

The employment of a new 114 persons in the Customs Administration of the Republic of Macedonia is planned by the end of the year 2007. These persons would be engaged in the Centre for Automatic Data Processing and in the customs houses of the Republic of Macedonia in most of the cases.

Judicial Cooperation in Criminal and Civil Matters

An employment of a four new persons in the Sector for International Legal Assistance within the Ministry of Justice is needed.

2.2 MEDIUM-TERM PRIORITIES

a) LEGISLATION

Police Cooperation and Fight against Organised Crime

The amendment to the secondary legislation pertaining to the Financial Police is foreseen with the new Law on Financial Police.

Cooperation in the Field of Drugs

The harmonisation of the legislation will continue through the adoption of the secondary legislation to the Law on Narcotic Drugs and Psychotropic Substances which shall further arrange the procedures for registration of the medicines that contain narcotic drugs and psychotropic substances, and shall arrange the manner of keeping of records according to the lists of narcotic drugs and psychotropic substances, etc. Conclusion of Memoranda for Cooperation is projected to be carried out between the respective authorities and the industry.

An adoption of the bylaws that arise from the Law on Precursors is envisaged. The contents of the application and the forms of the authorisations for import, export, transport and transit of precursors, the contents and manner of maintaining the register of legal persons that pursue production and trade in precursors will be governed by these bylaws. An adoption of the by-law on the contents of

the application and of the authorisation for pursuing traffic in precursors, whereby the following EU measures shall be applied 32005R3677, 31992R0900; 32005R1277; 32004R0273; 32000R1610 is also foreseen.

Customs Cooperation

The non-harmonised areas⁶⁴ shall ultimately be 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 and shall implement the Common Communication Network (CCN). A new proposal introducing New Computerised Transit System (NCTS) will be developed.

Judicial Cooperation in Criminal and Civil Matters

In accordance with the Strategy and the Action Plan for Reform of the Judiciary, upon the completion of the amendments of the legislation, an evaluation of the implemented activities is foreseen, supported by analysis of the results achieved as regards the strengthening of the independence and enhancement of the efficiency of the judiciary system. Such analysis would constitute basis for removal of the shortages through amendment to the laws and bylaws. The quarterly and semester reports on the implementation of the Strategy and the analyses of the implementation of the adopted acts (2007 and 2008) will be prepared on regular basis. Due to this, the focus during the medium-term period 2008-2010 shall be put on the implementation of the legislation.

There is a plan for drafting of a Programme on training and technical aid in the area of international legal cooperation.

b) INSTITUTIONS

Police Cooperation and Fight against Organised Crime

At the time being, the Unit for Witness Protection within the Ministry of the Interior do not have the capacity for envisage the medium-term priorities, due to the fact that they will be planned dependant on the dynamics of the activities (number of persons to be included in the Programme for Witness Protection).

On a medium-term basis there is a need for employment of 6 persons in the Department for Prosecution of the Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption within the Public Prosecutor's Office of the Republic of Macedonia.

Customs cooperation

Reorganisation and additional equipment of the customs office is foreseen in order to:

- adopt a legislation related to the organisation of the customs office;
- achieve a high level of cooperation between the customs office, tax office and others civil services;
- establish efficient customs control, especially for smuggling and public duties collection;
- obtain additional training of the customs office, particularly of the employees in the Sector for Control and Investigations, with the purpose to pursue the latest trends of the organized and other types of crime successfully;
- regulate the status, salaries as well as the promotion opportunities for highly qualified and motivated employees, with great degree of responsibility and professionalism, and
- support the information system, comparable with the structure of the European Union Information system.

The reorganisation and the professional training of the customs office providing for effective and correct collection of the direct incomes of the of the European Union, as well as the protection and the monitoring of the external borders of the EU are the main targets that need to be achieved by the Customs Administration in the accomplishment of the obligations arising from the EU membership.

Judicial Cooperation in Criminal and Civil Matters

There is a plan for training intended for the employees in the Sector for International Legal Assistance within the Ministry of Justice regarding the practical application of the legislation of the European Union, recognition and enforcement of the judicial verdicts in the civil and commercial matters, recognition and enforcement of the verdicts in family law, delivery of judicial and extrajudicial documents and cooperation between the courts in the provision of evidence. A training for the employees regarding the practical application of EU acts on the special investigation measures, protection of witnesses and collaborators of justice, hearing of witnesses or forensics experts through video and telephone conference, recognition of foreign verdicts in the area of criminal matter, extraditions, transfer of convicts, delivery of documents, criminal prosecution, penalty records etc. is also foreseen .

INSTITUTIONS

⁶⁴ These areas shall, in particular, pertain to: rules for the origin of the goods – adoption of the rules for non-preferential origin of the goods and the rules applicable by the European Union as regards the occupied territories and rules for application of GSP; special rules and documents applicable to the customs goods moving between the Member States; special rules on the exchange of different types of information implementing the customs regulations between the Member States or between the Member States and the Commission, special rules constituting integral part in the implementation of the Common Agricultural Policy.

INSTITUTION BUILDING REQUIREMENTS							
Budget No	Institution	2006	2007	2008	2009	2010	Total
06001	Ministry of Interior – (Witness Protection Section + Organised Crime Department - Financial Crime Sector - Unit for cyber crime and forgeries)	0	5	0	6	0	11
	Ministry of Interior – Section for Asylum	4	0	2	3	2	11
	Ministry of Interior – (Department for civil affairs - Section for Aliens)	3	1	0	0	0	4
	Ministry of Interior – Sector for Border Affairs	0	0	0	0	0	0
06001 Total		7	6	2	9	2	26
08001	Ministry of Foreign Affairs - Sector for Consular Affairs and International Law	5	7	0	0	0	12
08001 Total		5	7	0	0	0	12
09001	Ministry of Finance – Financial police	15	0	0	0	0	15
09001 Total		15	0	0	0	0	15
15001	Ministry of Labour and Social Policy – Sector for Social Protection – Unit for Asylum, Migration and Refugees	3	0	2	0	0	5
15001 Total		3	0	2	0	0	5
19001	Ministry of Health – Bureau of Medicines	0	6	0	0	0	6
19001	Ministry of Health – Secondary Health Protection Department (Drug Prevention and Treatment Centres within the Public Health Institutions) ⁶⁵	50	0	0	0	0	50
19001 Total		50	6	0	0	0	56
31010	Public Prosecutor’s Office – Unit for Prosecution of Perpetrators of Criminal Acts in the Area of Organised Crime and Corruption	4	3	3	0	0	10
31010 Total		4	3	3	0	0	10
Total		84	22	7	9	2	124

FOREIGN ASSISTANCE

External borders

By the end of 2006, three CARDS Projects shall be implemented, whereby the capacities of the Border Police will be significantly improved:

- Construction of a building for the headquarters of the Border Police⁶⁶
- Provision of equipment for the needs of the Border Police “Telecommunications system TETRA” – CARDS 2004, which provides for procurement of radio-communications system. The total amount to be spent on this project is EUR 9,000,000.00 and it is planned to be completed by the end of 2006. The completion of the project will also enable commissioning of:
 - Mobile transmitter for special operations;
 - Means for connection/Motorola GP 340 and base stations GM 360;
 - Central connection of all Police stations for surveillance of the state border and police stations for border control, and with other users within the Ministry of Interior through the “Lotus” system.
- CARDS Twinning project “Advisory support to the reform of the Police”. It is planned, this project to provide assistance in the preparation of the by-laws of the Law on Control of the State Border.

⁶⁵ According to the National Strategy on Drugs Control (2005-2012)

⁶⁶ The Project is a part of the 2004 CARDS Programmes evaluated at EUR 2,100,000.00 and should be completely realised by the end of April 2006.

Visa Policy and External Migrations

The preparation of the secondary legislation to the Law on Aliens will be supported by the experts from the Kingdom of Norway and through TAEX expertise.

The financing of the project for establishment of the National Visa Information System including Visa Centre within the MFA will be carried out through the 2006 CARDS Programme, for which a feasibility study has already been prepared. Regarding the realisation of the first phases of this project a donation in the amount of EUR 500,000.00 has been offered by Luxembourg.

The training of the employees in the Visa Centre will be carried out through 2006 CARDS Programme.

Asylum

With regard to the construction of the Reception centre, the 2002 National CARDS Project provided funds in the amount of EUR 1.207.581,00.

Police Cooperation and Fight against Organised Crime

The Financial Police has prepared a twinning project "Strengthening the Capacity of the Financial Police".

The following two projects are planned for the Witness Protection Section within the Mol:

- CARDS (CARPO) Project of the Council of Europe – for development of efficient and functional police system, enhancement of the fight against major criminal activities and cooperation between the police
- Twinning Programme with Germany (Police of Brandenburg)
(These projects will cover trainings and seminars for organisation and management).
- Currently, the donations for the Department of Organised Crime (Sector for Criminal and Intelligence Analysis) within the Ministry of Interior consist of:
- License for "I-2" (software for intelligence data), donation of the British Embassy, in the amount of 10.000 £,
- Software "I-base", donation of the British Embassy, in the amount of 50.000 £.

A project for police and fight against organised crime amounting to EUR 2.100.000,00 is planned by the 2006 CARDS Programme.

Cooperation in the Field of Drugs

CARDS 2003 Twinning Project on the strengthening of the capacities in the combat against drugs provides for technical aid with the amount of approximately EUR 1,000,000 (remark: the provision of equipment is not projected).

Customs Cooperation

The Republic of Macedonia has actively used certain forms of technical aid within the European Union CARDS technical aid (CAFAO-MAK). This assistance is provided through the CAFAO-MAK Project in the Republic of Macedonia, which amounts to EUR 2 million⁶⁷ for the fiscal year 2006.

CAFAO MAK Mission is a team comprised of customs experts from the Member States of the European Union which provides technical support to the Customs Administration in the modernisation and establishment of fully operative customs activity pursuant to the European standards. The team, being named Customs Assistance and Fiscal Assistance Office to the Republic of Macedonia, which is consisted of international experts, apart from the provision of equipment and specialised trainings, works on the ground in cooperation with the Macedonian colleagues, for the purposes of encouraging transfer of skills and knowledge, through training techniques in the course of realisation of the activities.

CAFAO-MAK is focused on the customs legislation, human resources management, training and application of the Customs Law. Also a certain bilateral assistance is being used within the framework of the twinning project with the Customs Administration of the Kingdom of Netherlands foreseen for the period from 2005 to 2008. It amounts approximately to EUR 500,000, and the funds will be used pursuant to the programme activities previously agreed.

Judicial Cooperation in Criminal and Civil Matters

The Republic of Macedonia has actively used certain forms of technical aid within the framework of DPC/USAID and CARDS 2003:

- DPC/USAID Project – *Modernisation of judiciary* (USD 8,000,000, June 2002 – December 2005, extended until the end of 2007) – has been divided in three components: 1) Legal structure and practice, 2) Judicial administration and management, 3) Legal training.
- Regional CARDS 2003 Projects – Establishment of independent, reliable and functional judiciary and promotion of the judicial cooperation among the countries of West Balkans (extended until the end of 2007) Module 3 – International and European Judiciary Cooperation, amounting to EUR 5,000,000.

⁶⁷ Apart from the Customs, this project shall cover a part of the tax area, as well. The allocation has not still been agreed upon.

3.25 SCIENCE AND RESEARCH

INTRODUCTION

In the realisation of its responsibilities in the field of science and technological development, the Ministry of Education and Science shall continue to create conditions to ensure that scientific research activities become an indispensable factor for the overall development of the country. That shall be made possible by engaging the community of scientists and scholars in the Republic of Macedonia in the process of implementing projects which correspond to the national priorities, as well as by establishing conditions conducive to forging purposeful links between the commercial and non-governmental sector, and the corresponding scientific institutions and individuals. This mission of the Ministry of Education and Science will be accomplished through increasing the level of funding for this activity from budgetary as well as extra-budgetary sources, and thus gradually reaching the imperative set forth by the Barcelona Strategy according to which each EU member country should invest a minimum of 3% of GDP into the development of science.

a) LEGAL FRAMEWORK

The Law on Scientific and Research Activity ("Official Gazette of the RM, No. 13/96 and 29/02) regulates the system, guidelines, public interest, forms of organization and management in scientific research activities, methods of stimulating and facilitating scientific research activities, scientific research personnel, and other issues pertinent to scientific research activities. This Law contains provisions concerning incentives and assistance in designing activities for scientific research, professional development and capacity building of scientific research personnel, selection and admission of junior scholars, graduate and doctoral studies, and other forms and manners of education, professional development and advancement of human resources.

Bylaws which regulate in closer detail the scientific research activities are as follows:

- Rulebook on Determining the Requirements and Criteria for Granting Funds for the Stimulation and Assistance of Scientific Research Activities. ("Official Gazette of the RM" No. 3/05)
- Rulebook on Determining the Requirements and Criteria for Granting Funds for the Implementation of Annual Programmes for the Operation and Development of Public Scientific Institutions (Official Gazette of the RM" No. 3/05)
- Rulebook on Determining the Requirements and Criteria for Granting Funds for the purposes of Producing Scientific Research Professionals ("Official Gazette of RM" No. 33/04 and 31/05)
- Rulebook on Keeping Records on the Scientific Research Professionals. ("Official Gazette of RM" No. 55/01 and 66/01)

The Law on Incentives and Assistance for Technological Development ("Official Gazette of the RM" No. 98/00) regulates the incentives and assistance in technological development in the Republic of Macedonia, the programming of the activity and its funding.

The bylaw which regulates the technological development in detail is:

Rulebook on Requirements, Conditions, and Manner of Using the Funds for Incentives and Assistance for Technological Development, ("Official Gazette of RM" No. 49/01 and 36/05).

The Law on Incentives and Assistance for Technical Culture ("Official Gazette of RM" No. 53/00) regulates training for technical, technological, and information technology skills and knowledge, inventions, dissemination of scientific and technical achievements, incentives for inventive and scientific work, technical grooming and education.

The Bylaw which regulates the technical culture in detail is:

The Rulebook on Criteria for Granting Funds for the Purposes of Implementing the Operative Programmes, i.e. Projects related to Technical Culture ("Official Gazette of RM" No. 31/01).

b) INSTITUTIONAL FRAMEWORK

Activities in the field of scientific research and technological development are under the competence of the Ministry of Education and Science (MES). MES creates policy in the field of science and technological development and performs activities such as proposing and drafting primary and secondary legislation in the field of science; undertakes various activities for the purposes of advancing scientific research activities, technological development and technical culture; performs activities in relation to scholarships, professional development and practical training of domestic and foreign experts; sends domestic experts abroad for study visits, and invites foreign experts to the Republic of Macedonia; drafts proposals, issues opinions, conducts analyses, drafts information and other acts in the area of science and scientific research activities.

The Sector for Science and Technological Development functions under the Ministry of Education and Science, and it is responsible for the scientific research activity, technological development and technical culture. There are 6 units within this Sector.

The total number of civil servants employed in the *Science and Technological Development Sector* is 26. The Rulebook on Systematization of Jobs of MES envisages 29 positions which should be filled in between 2006 and the end of 2009.

The Council for Scientific Research Activity is a professional advisory body established by the Minister of Education and Science and composed of a President and seven members. The Council takes part in scientific policy design and proposes measures for the development and advancement of scientific research activity in the Republic of Macedonia.

The Macedonian Academy of Sciences and Fine Arts is a public scientific institution which has 41 full members (academics), 1 member of honours, and 33 members outside of the operating composition of the Academy. In the composition of the Academy there are 5 operative units and 5 operative research centres. The Academy monitors the conditions in the sciences and fine arts and advocates their promotion, as well as the education of scientists and researchers; it collaborates in designing the country's policy for sciences and arts; motivates, coordinates, organizes, and conducts scientific research and artistic works; provides conditions for the scientific work and artistic activity of its members; advocates the implementation of modern methods in scientific research, as well as modern scientific knowledge and results from scientific research, and establishes, maintains, and develops international cooperation in the area of sciences and fine arts.

In the Republic of Macedonia there are three state universities: „St.Cyril and Methodius” University in Skopje with 23 faculties with special legal entity status as well as 10 public scientific institutions in its composition; University of “St Kliment Ohridski” in Bitola with 6 faculties and one higher technical school with special legal entity status, as well as 3 public scientific institutions; and the State University in Tetovo with 4 faculties and one higher technical school which do not enjoy the status of a legal entity. Three private universities have also been established. They are higher education institutions without the status of a legal entity: South Eastern Europe University in Tetovo with 5 faculties and 2 higher technical schools; European University of Skopje with 5 faculties; and New York College in Skopje with 5 faculties in its composition.

The Universities, apart from the educational, scientific, and applicative activity, also organize postgraduate and doctoral studies, thereby contributing to the specialization and generation of young scientists and researchers.

Founded by the Government of the Republic of Macedonia, *the Public Scientific Institutions* are under the auspices of the “St. Cyril and Methodius” University in Skopje (10) and the “St Kliment Ohridski” University in Bitola (3). The competence of the public scientific institutions is to implement scientific and research projects from their corresponding scientific areas, as determined in the annual operative programmes and programmes for development. They are responsible for creating young scientists and researchers as well as for their professional development and specialization. In the Republic of Macedonia there are 13 public scientific institutions in operation:

- Institute for National History
- Institute for Folklore “Marko Cepenkov”
- Institute for Macedonian Language ” Krste Misirkov”
- Institute for Old-Slavonic Culture
- Institute for Macedonian Literature
- Institute for Agriculture
- Institute for Economics
- Institute for Sociological, Political, and Legal Research
- Institute for Earthquake Engineering and Engineering Seismology
- Tobacco Institute
- Hydro-Biological Bureau
- Institute for Cattle Breeding
- Institute for Southern Crops

Operating in the commerce sector are development and research units established by the companies, which by transferring knowledge and technologies improve trade through: the development of their own technologies; the modernization of existing production capacities; and the establishment of innovative centres and technological cores; the creation of technological infrastructure. These units also contribute to the motivation and assistance for technological development.⁶⁸

The holders of public authorization in technical culture (23) implement programmes and projects which contribute to the: preparation for acquiring technical, technological, and information technology knowledge and skills, inventive work, dissemination of scientific and technical achievements, incentives for creative and scientific work, stimulation of talents, technical upbringing and education, especially for the young population.

The State Statistical Office (SSO) is the body responsible for conducting research in the field of science and research. SSO conducts

- Statistical research for the scientific development field on a yearly basis;

⁶⁸ The number of scientific units is calculated on the basis of the survey conducted by MOH in December 2004.

- Statistical research for innovation every four years;
- Statistical research for technical culture, every three years.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The enactment of a new **Law on Scientific Research Activity, and Technological Development** is planned in the first quarter of 2007. This Law shall regulate the guidelines, objectives, and forms of organization and management in scientific research activity and technological development, the conditions for conducting these activities, as well as education and specialization of young researchers, which in essence will define scientific research activity and technological development as development priorities. This Law shall determine the obligations to be funded from the state budget and other sources (international programmes and funds, self-government units, and the business sector), which will be aimed at accomplishing the objectives for social and economic development of the Republic of Macedonia. This law will regulate, among other things: the ethical aspect of scientific and research activity, the criteria for centres of excellence, the conditions for scientific cooperation between the public and the private sector, and the establishment of a single scientific data base.

In six months time following the entry into force of the **Law on Scientific Research Activity, and Technological Development**, the Ministry of Education and Science shall adopt the following new rulebooks for the financing of scientific research activity and technological development:

The Rulebook on Determining the Conditions and Criteria for Giving Aid to Stimulate and Assist Scientific Research Activities, which shall determine more precisely and in a more stringent fashion the conditions and criteria for granting funds to universities and faculties, private scientific institutions, individual researchers, scientific associations, and publishing houses for the purposes of financing the following: science and research projects, publishing of scientific books, scientific journals, collections of scientific conferences held, and annual anthologies of the faculties; organization of science conferences in the country; expenses for the participation of scholars of the Republic of Macedonia at science conferences and study visits abroad; publishing of scientific papers of scholars of the Republic of Macedonia in foreign science journals; and procurement of science specific equipment;

The Rulebook on Determining the Conditions and Criteria for Granting Funds for the Implementation of Annual Programmes for the Operation and Development of Public Scientific Institutions, which shall determine the conditions and criteria for granting funds to public scientific institutions for financing: science and research projects, publishing of scientific books, scientific journals, and collections from science conferences held; organizing science conferences in the country; study visits abroad; publishing of scientific papers of scholars of the Republic of Macedonia in foreign science journals; and procurement of science specific equipment. The purpose of this rulebook is to promote the transparency and accountability of the operation of public scientific institutions;

The Rulebook on Determining the Conditions and Criteria for Granting Funds for the Creating Research Scientists, which shall determine the conditions and criteria for granting scholarships and admission fee funds for graduate and doctoral studies, and one-time assistance for preparing master's and doctoral theses of candidates through their direct involvement in public scientific institutions;

The Rulebook on Maintaining Databases in the Field of Scientific and Research Activity and Technological Development, which shall determine the manner of keeping records of research scientists conducting scientific research activities along with their scientific activities (participation in the implementation of science and research projects, publishing of scientific books, publishing of scientific papers in national and international science journals, and participation at science conferences and study visits abroad);

The Rulebook on the Conditions,, Criteria , and Methods of Using the Funds for Incentives and Assistance for Technological Development, which shall determine the conditions and criteria for granting funds for the purposes of funding scientific research projects and programmes for research and development; and

The Rulebook on Criteria for Granting Funds for the Purposes of Implementation of the Operative Programmes, i.e. projects related to the field of technical culture, which shall determine the requirements and criteria for granting funds aimed at the implementation of projects and programmes for work of relevant technical culture institutions and agencies.

STRATEGIC DOCUMENTS

In order to obtain a projection of scientific research activities over the upcoming period of four years, the *Programme on Scientific Research Activity and Technological Development 2006-2010* is currently being developed. The draft version of the Programme is scheduled for adoption in the fourth quarter of 2006. The Programme will be built upon the Programme on the Support for Technological Development 2002-2006. It will be the platform for the operation of all entities and individuals dealing with science, or whose functioning depends on this activity. The Programme on Scientific Research Activity and Technological Development 2006-2010 will offer measures which ought to be undertaken by the Government in financial, legal and institutional terms in order to ensure the proclaimed development of science and research. In addition, the Programme shall offer a new proactive approach in international

cooperation, with a special emphasis on increasing the participation of the Republic of Macedonia in the projects in the Framework Programmes of the European Union.

INSTITUTIONAL FRAMEWORK

The new *Law on Scientific Research Activity and Technological Development* foresees the establishment of:

A Council for the Development of the Republic of Macedonia which shall be an expert advisory body under the Government of the Republic of Macedonia chaired by the Prime-Minister of the Republic of Macedonia. The Council shall use scientific findings in creating the development policy of the country.

An Ethics Board shall be appointed by the Assembly of the Republic of Macedonia, on the proposal of the Government of the Republic of Macedonia. The Board shall adopt a code of conduct which shall determine the ethical guidelines in scientific work, publishing of results, relations between research scientists and the science and education professionals, procedures and activities related to market competition. The task of the Board shall be monitoring and assessment of the implementation of ethical guidelines and values in scientific research activity and technological development, in business and public relations, as well as in the implementation of modern technologies, and in environmental protection.

The Fund for Technological Development is envisaged to be established in conjunction with the Chamber of Commerce of the Republic of Macedonia, whereby its competences shall be regulated in detail with the new Law on Scientific Research and Technological Development.

On the basis of local and foreign evaluation, the Minister of Education and Science proclaims, i.e. establishes, from among the existing science institutes or faculties, Centres of Excellence for a certain period of time of at least 3 years. A Centre for Excellence is a research institution or a group of scientific researchers for a science centre of exception, which is proclaimed by the Minister upon proposal of the Council for Science and Technology of the Republic of Macedonia.

FOREIGN ASSISTANCE

Within the framework of the TEMPUS Programme, 3 projects that supported the establishment of structures for the transfer of technology in the Electro technical Faculty, Technological-Metallurgic Faculty, and the Faculty for Agriculture of the University of "Ss. Cyril and Methodius of Skopje" were implemented:

- UM-JEP-16003/2001- Creation of Centre for Transfer of Knowledge in Croatia for Biotechnology and Applied Economy in the countries of South-East Europe;
- UM-JEP-16043/2001- Model of International Technological Transfer Office;
- CD-JEP-16045/2001- Technology Transfer Centre in Chemical- engineering and Textile;

The Framework Programmes of the European Union are the basic instruments for financing research and development. Proposed by the European Commission and adopted by the Council and the European Parliament, they have been realized since 1984 in cycles of four years. Their basic aim is strengthening the scientific and technological foundations of industry and inciting international competition through the promotion of research activities as well as the support of policies of the European Union.

The Sector for Science and Technological Development at the Ministry is involved in two projects South-East European – European Research Area – Network (SEE-ERA-NET) and European Research Area (ERA) West Balkan that are within the framework of the 6th Framework Programme, thanks to which the Republic of Macedonia is included in the European activities in the field of science and technological development.

Within the framework of the SEE-ERA-NET project, one of the main aims is giving support to the definition and adoption of strategic documents for development and advancement of the entire scientific and research activity for a more successful integration in the European Research Area. The results achieved with this project will be support for the planned Programme for the Science and Research Activity and Technological Development 2006-2010 and the Strategic Plan of the Ministry for Education and Science 2006-2008.

Within the framework of the IAEA Programme, the Republic of Macedonia actively participates in 11 projects in the field of radioactive safety.

In course is the implementation of 7 projects in cooperation with NATO, 3 of which are in the programme "Science for Peace,(two more are in their final phase of evaluation) and 4 in the group of collaborative projects.

In the framework of the Programme for Participation of UNESCO, the Republic of Macedonia is implementing 21 projects in the field of education and science. In process are 4 projects, while 5 are in their final phase of evaluation and it is expected that they will be approved.

INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total
16001	Ministry of Education and Science – Sector for Science and Technological Development	3	0	0	0	0	3
16001 Total		3	0	0	0	0	3
Total		3	0	0	0	0	3

3.26 EDUCATION AND CULTURE

3.26.1 PRIMARY AND SECONDARY EDUCATION

CURRENT SITUATION

LEGAL FRAMEWORK

Primary education is regulated with the *Law on Primary Education* and the amendments to this Law (Official Gazette of the Republic of Macedonia No. 44/95, 24/96, 34/96, 35/97, 82/99, 29/02, 40/03, 42/03, 63/04 and 55/05).

Secondary education is regulated with the *Law on Secondary Education* and the amendments to this Law (Official Gazette of the Republic of Macedonia No. 44/95, 24/96, 34/96, 35/97, 82/99, 29/02, 40/03, 42/03, 67/04 and 55/05).

The Law on Primary Education regulates the establishment and closure of elementary schools, educational activity (curricula and syllabi, assessment and awarding), teachers and other staff employed by schools, the use of textbooks, the passing of the state exam for teachers, the educational records and documents, the recognition of certificates and diplomas obtained abroad, the right to education of foreign citizens and individuals without citizenship, primary school management and governing, primary school funding, and oversight of the work of primary schools.

The Law on Secondary Education regulates the procedure for the establishment and closure of municipal, state, and private secondary schools, their management and governance, the acquisition of the status of a student, teachers and other school staff, the adoption of curricula and syllabi, and the types of secondary education (general-gymnasium education of four years, secondary-vocational education of four or three years, secondary education of fine arts, and education for disabled children with special educational needs). The Law regulates the use of the languages of instruction in non-majority communities, the right to education of foreign citizens and individuals without citizenship, use of textbooks, the passing of the state exam for teachers, the educational record and documentation, the recognition of certificates and diplomas obtained abroad, public secondary education funding, and oversight of the work of secondary schools.

The amendments to the Law on Primary Education (Official Gazette of RM No.63/04) regulate the new conditions in primary education introduced by the transfer of competences from the central to the local government, whereby the rights to establish a school and the obligations pertaining to existing primary schools shall be assumed by the municipality. The financing of the work of the schools is performed by earmarked and block budget transfers which the local government receives from the state budget, however, budget transfers can be supplemented by funds from the municipality's own sources.

With the amendments to the Law on Primary Education, in effect since September 1, 2005, the compulsory primary education shall last nine years including one preparatory year, four years of classroom teaching, and four years of subject teaching. A new procedure has been established for the election of primary school principals, who hereafter must pass the exam intended for school principals.

The new amendments to the Law on Secondary Education (Official Gazette of the RM No.67/04), also regulate the new conditions introduced in the secondary education with the transfer of competencies from the central to the local government. Similarly to primary education, the financing of the municipal secondary education is performed by way of earmarked and block budget transfers which are allocated to the municipality from the state budget, however, the municipality can supplement the transfers from its own sources. In order to provide an objective assessment of students' performance in secondary education, a state graduation exam is foreseen starting from the academic year 2007. A new procedure has been established for the election of principals who will henceforward assume the role as managers of the development of the school, which requires a certificate for having passed the exam for school principals, through compulsory training conducted by accredited specialized institutions.

The Law on Education Inspection (Official Gazette of RM No 52/05), as a new mechanism for the provision of quality education, provides a special type of monitoring -- assessment of the quality of the educational process and its effectiveness -- through an integral evaluation of the work of educational institutions which covers: organization and implementation of the curricula and teaching structure, school conditions and climate, management, professional development of teachers and managerial school staff, and cooperation with parents and the community.

STRATEGIC DOCUMENTS

The Graduation and Final Examination Concept in the Public Secondary Education in the Republic of Macedonia was adopted by the Minister of Education and Science in October 2005. It projects the objectives of the introduction of exams at the end of the four-year secondary education, the expected benefits from the introduction of exams, the exam model, and the assessment method at the exams.

INSTITUTIONAL FRAMEWORK

The institutions responsible for the implementation of the Law on Primary Education, the Law on Secondary Education, and the Law on Education Inspection are the:

- Ministry of Education and Science
- Bureau for the Development of Education
- State Educational Inspectorate
- Pedagogic Service
- Directorate for the Development and Promotion of Education in the Languages of the Members of the Non-majority Communities,
- The municipalities and the City of Skopje,
- Primary schools
- Secondary education schools, and
- State Statistical Office

The Ministry of Education and Science is responsible for doing the following as regards primary and secondary education:

- propose to the Government the establishment of state secondary schools for categories of students which are of special interest for the country
- submit opinions for the establishment of private schools
- verify primary and secondary schools, and maintain a central register for them
- approve curricula and syllabi
- provide standards and norms for the establishment and operation of primary and secondary schools
- provide standards and criteria for the funding of education
- provide norms for teaching and other school staff
- approve textbooks for primary and secondary education
- conduct the state graduation exam
- announce the public statement for admission of students in secondary education
- conduct the state teachers' exam
- provide the educational record and documentation
- recognize the equivalence of certificates obtained abroad
- provide the procedures for taking the exam intended for school principles
- fund the state secondary education schools
- oversee the compliance of school work with the law
- oversee the work of the local self-government units in facilitating education.

Seven sectors have been established under the Ministry of Education and Science, of which six are responsible for the educational process.

The Bureau for the Development of Education performs the following activities:

- proposes standards and norms for the establishment and operation of schools
- proposes curriculum models
- proposes curricula and syllabi
- proposes the textbook concept
- proposes the program for publishing textbooks
- designs the evaluation methodology for textbooks
- designs examination programmes for the state graduation exam (mandatory if one plans to enter the university), the school graduation exam (to be passed so as to obtain a certificate from the gymnasium secondary school), and the final exam (to be passed so as to obtain a certificate from the vocational secondary school)
- conducts external student assessment
- conducts the professional and pedagogical development of teachers

The State Educational Inspectorate performs the following activities:

- Conducts educational inspection and oversight of the quality and effectiveness of the educational process through primary and secondary school evaluation
- Oversees the implementation of the laws, and other regulations, and general acts from the area of upbringing and education
- Oversees the implementation of the laws and other regulations, and general acts which regulate student and pupil dormitories
- Oversees the implementation of the educational standards

The Pedagogic Service performs the following activities:

- conducts textbook approval and usage of textbooks procedures in primary and secondary schools

The Directorate for the Development and Promotion of Education in Languages of the Members of the Non-majority Communities performs the following activities:

- it provides support and ensures the development of the education of the non-majority communities, and it is responsible for ensuring higher representation of the non-majority communities in all the levels of education (primary, secondary, and higher education).

The employees in the Ministry, particularly during the past seven years, have continually been trained and educated in: project management, human resources, strategic planning, auditing, accounting, legislation drafting, inspection of the control over educational quality, public procurement, implementation of new teaching technologies, working with computers, and foreign languages. The trainings are organized by the Ministry itself, under specific projects for technical support provided to the Ministry (EU, USAID, and in cooperation with other bilateral and multilateral donors and agencies).

The local self-government units (municipalities and the City of Skopje) are responsible for:

- The establishment of municipal primary and secondary schools
- Financing primary and secondary school maintenance, food and student transportation (until 2007), and from 2007 onwards, salaries for school staff
- Making proposals for the network of schools on their territory
- Maintaining registers for the schools on their territory
- Making proposals for curricula and syllabi
- Approving annual operative programmes for the schools
- Partaking in school management
- Appointing school principals
- Allocating funds to the schools on their territory for the purposes of ensuring the implementation of the educational process, in compliance with the already established standards and norms

Primary and secondary schools implement the process of education. The overall number of primary schools in the Republic of Macedonia is 356, whereas the overall number of secondary schools is 94, of which 81 are municipal secondary schools and schools in the City of Skopje, 10 are state secondary schools and 3 are private secondary schools.

The State Statistical Office implements the following statistical research in the field of primary and secondary education, within the framework of its competences:

- Statistical research for primary schools at the end of the academic year (annually);
- Statistical research for primary schools in which the lectures are held in the languages of the members of the non-majority communities, at the end of the academic year (annually);
- Statistical research for primary schools for adults at the end of the academic year (annually);
- Statistical research for primary schools of fine arts at the end of the academic year (annually);
- Statistical research for secondary schools at the end of the academic year (annually);
- Statistical research for secondary schools in which the lectures are held in the languages of the members of the non-majority communities, at the end of the academic year (annually);
- Statistical research for primary schools at the beginning of the academic year (annually);
- Statistical research for primary schools for adults at the beginning of the academic year (annually);
- Statistical research for primary schools for fine arts at the beginning of the academic year (annually);
- Statistical research for secondary schools at the beginning of the academic year (annually).

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

It is foreseen that the Law on Vocational Education and Training will be enacted in the second quarter of 2006.

This Law should help promote and bring on the agenda vocational education and training, ensure that quality curricula and syllabi based upon technological development are adopted, help involve the business community and local government as active participants in creating vocational school policy and training (through the establishment of a National Council for Vocational Education and Training), provide knowledge standards, and design a catalogue of professions.

The enactment of the Law on Vocational Education and Training in essence means that the following EU measures will be adopted: Decision 31963D0266 of the Council of April 2, 1963, on the establishment of basic guidelines for the implementation of shared

vocational education policy (63/266/EEC); Decision 31985D036 of the Council of July 16, 1985 on the comparability of vocational training qualification between the countries – European Union members (885/EEC).

Within approximately a year from the adoption of the Law on Vocational Education and Training, ten bylaws regulating the field in more detail shall be adopted.

A new **Law on the Bureau for the Development of Education** is scheduled for adoption in the first quarter of 2006.

In addition to regulating the competencies of the Bureau, the Law will specify its responsibilities, in particular:

- proposing concepts for development of the educational process, and proposing curricula and syllabi for pre-school, primary, secondary, and specialized education, education for students with special educational needs, and adult education;
- organizing and conducting activities for the professional development of educational and managerial staff;
- conducting and organizing research in the field of education;
- advisory and specialized work for the purposes of improving the quality in educational institutions;
- drafting of educational standards, performance standards for students, and conducting activities for evaluating student performance;
- designing concepts for textbooks, programme for publishing textbooks, and methodology for professional evaluation of textbook manuscripts and for assessment of the textbook quality;
- publishing activity related to the development of educative and upbringing activity;
- establishing and developing an information and documentation system in the area of education which is under its competence.

Recommendation 32001H0166 of the European Parliament and Council, dated February 12, 2001 for European cooperation for quality assessment of school education will be transposed in the Law on the Bureau for the Development of Education.

The **Amendments to the Law on Primary Education and the Law on Secondary Education** are scheduled for passage in the first quarter of 2006. They shall regulate:

- The procedures and conditions for the accreditation of institutions which shall train the teaching and managing staff in the schools;
- The procedures and conditions for the dissolution of schools boards;
- The procedures and conditions for irregular external assessment in primary and secondary schools;

The drafting process and implementation of the Law Amending the Law on Primary Education and the Law Amending the Law on Secondary Education require no additional funds.

The following new bylaws and amendments to the existing bylaws arising from the amendments to the Law on Primary Education are envisaged to be enacted (Official Gazette of the Republic of Macedonia No.63/04):

- Rulebook on the Assessment of Teachers and Obtaining Titles (December 2006);
- Rulebook on the Professional Development of Teachers (December 2006);
- Conception for descriptive assessment of students (September 2006);
- Rulebook on the Manner and Procedure for Internal and External Student Assessment (January 2007);
- Regulation on the Formula for Distribution of Funds from the Earmarked and Block Budget Transfers in Primary Schools (January 2007).

Also foreseen is the enforcement of new and the amendment of part of the existing bylaws which arise from the amendments to the Law on Secondary Education (Official Gazette of the Republic of Macedonia No.67/04):

- Rulebook on the Assessment of Teachers and Obtaining Titles (December 2006);
- Rulebook on the Professional Development of Teachers (December 2006);
- Model for the Drafting of Curricula (November 2006);
- Educational Standards (November 2006);
- Rulebook on the Manner and Procedure for Taking the Exam and Assessing Students at the State Graduation, School Graduation, and Final Exam (April 2006)
- Regulation on the Formula for Distribution of Funds from the Ear-Marked and Block Budget Transfers in Secondary Schools (January 2006).

The adoption of the *Law on Lifelong Learning* is foreseen for the fourth quarter of 2007. The Law shall be built upon the following principles:

- adult education, as a part of the overall educational system, contributes to the individual and collective continuation of education as a lifelong learning concept;
- lifelong learning contributes to democratic and social co-habitation between the people regardless of their gender, religious, or ethnic affiliation;
- lifelong learning contributes to the increase of employment possibilities, flexibility, and competitiveness on the labour market.

The Law shall provide every person with the opportunity to exercise the right to acquire and improve his/her knowledge, skills, and abilities necessary for the free development of his/her personality and the free choice of his/her profession.

Currently in the Republic of Macedonia, there is a large number of institutions offering informal education for children and adults, but there is no legislation to regulate this area. The purpose of this Law is, also, to:

- identify the institutions which will deliver that type of education
- regulate licences issued by the Government or local government to the aforementioned institutions
- identify the informal education objectives
- identify the stakeholders
- determine the informal education structure
- determine the informal education standards
- provide funding
- regulate the cooperation between the ministries and social partners
- foresee the employment and training of staff which will deliver this type of education
- foresee relations between formal and informal education.

Resolution 32002G0709(01) of the Council as of June 27, 2002 on Lifelong Learning shall transpose the Law on Lifelong Learning.

STRATEGIC DOCUMENTS

The National Programme for the Development of Education and related programme documents for the development of education (Draft Programme for the Development of Pre-School Education; Draft Programme for the Development of Primary Education; Draft Programme for the Development of Secondary and Post-Secondary Education; Draft Programme for the Development of Higher Education; Draft Programme for the Development of ICT Education; Draft Programme for the Professional Development in Education; Draft Programme for the Development of Institutional Support for Educational Reform; Draft Programme on Ensuring Quality and Quality Control in Education), shall be adopted in the third quarter of 2006.

The definition of the related programme documents on the development of education is subject to a public debate, after the closing of which the working groups will draft the final versions of the documents, as well as the Action Plans for Implementation of the National Programme for the Development of Education of the Republic of Macedonia and its related programmes.

In relation to the development of education, human development and approximation to the labour market, and in compliance with the Decision 1360/90 of the Council of Europe as of 07.05.1990, the *Strategy for Adult Education and Lifelong Learning* is in process of preparation. According to the dynamics of the work, the Strategy is to be adopted in the last quarter of 2006.

INSTITUTIONAL CAPACITY

The establishment of a *State Examination Centre*, which will be responsible for the preparation and implementation of the state graduation exam, as well as for the implementation of the external evaluation processes in primary and secondary education, is planned. The basic activity of the State Examination Centre will be to contribute to the effectiveness and quality of education. The activities will be directed towards modernization of the assessment of students and the establishment of a reliable state service charged with assessment and exams. The purpose of the State Examination Centre will be to ensure quality in education in the Republic of Macedonia through a valid, reliable, practical, and internationally recognized assessment and examination system.

The key functions of the State Examination Centre would be:

- organizing and conducting external exams (state graduation exam and other types of exams);
- establishing student performance standards, as well as establishing a systematic observation and data collection system on student performance;
- training and certifying teachers for internal assessment (formative and summative);
- training teachers on the use of results gathered from the external assessments and exams;
- providing analytical support for the Ministry of Education and Science and the schools through reliable assessment and examination data;
- providing support for the institutions conducting external evaluation and self-evaluation of the school work by designing standardized instruments.

- conducting other measuring related to quality and performance in education;
- providing professional services in the field of measuring and assessment of education;
- publishing materials related to education measuring and assessment.

The funds envisaged for the operation of the State Examination Centre will be provided from the funds of the Budget of the Republic of Macedonia allocated to the Bureau for the Development of Education.

The existing human resources at the Examination Centre of the Bureau for the Development of Education shall be used for the purposes of operating the State Examination Centre. Currently, at the Examination Sector there are 13 employees, and 28 are planned to be recruited.

The *Centre for Vocational Education and Training* will be established with a Decision of the Government of the Republic of Macedonia (three months after the Law on Vocational Education and Training has entered into force, i.e. during the third quarter of 2006). The state interests and the interests of the social partners in vocational education and training in the Republic of Macedonia will be harmonized and integrated in the Centre. The Centre will coordinate the cooperation with the international institutions and organizations working in the field of vocational education and training.

The functions of the Centre shall be:

- The development of vocational education and training in order to achieve harmonization with the needs of the modern technological and social development;
- Support to the social partnership at all levels and phases in the planning, development, and facilitation of vocational education and training;
- Connecting education and work in the context of lifelong learning philosophy;
- The development of European orientation in vocational education, with ensured transparency and competitiveness of the obtained professional competences adjusted to the needs of the international labour market;
- Research on the labour market and professional qualifications and jobs, as well as development trends, in the cooperation with social partners and stakeholders;
- Designing concepts for all vocational education and training clusters;
- Drafting examination programme proposals, in accordance with the standards defined for conducting exams upon completion of every vocational education and training cluster;
- Setting standards of vocations and professions, as a basis for the development of curricula and programmes;
- Drafting and proposing a list of professions for vocational education and training for the Council;
- The implementation of procedures for curriculum design in compliance with the curriculum model for vocational education and training;
- Drafting curriculum models for vocational subjects in vocational education and training;
- Monitoring the results at the end of every kind of vocational education and training;
- Providing support for vocational clusters through counselling, guiding, and mentoring of the teachers and trainers in vocational education and training;
- Providing opinions on the extent to which the institutions requesting accreditation for delivery of vocational education and training, have met the requirements;
- The development of standards for equipping the schools, and participating in the development of educational contents and educational technology;
- Mediation in the career development of students in vocational education and training;
- Proposing solutions in order to improve the relations between vocational education and primary education, vocational education and general education, and vocational education and higher education.

The funds envisaged for the Centre for Vocational Education and Training, in the Budget of the Republic of Macedonia, are planned within the funds allocated to the Bureau for the Development of Education.

For the purposes of the functioning of the Centre for Vocational Education and Training, the existing human resources within the Vocational Education Sector at the Bureau for Development of Education are planned to be used. Currently at the Vocational Education Sector, there are 3 employees, and 12 are planned to be recruited.

Preparation for Participation in the Community Programmes in Education:

In relation to the active participation of the Republic of Macedonia in the Community Programmes in the area of education in the first quarter of 2007, Decision No. 12/2006 of the Government of the Republic of Macedonia envisages the establishment of a *National Agency for the Community Programmes in the Field of Education and Training* as one of the prerequisites for participation in the Programmes.

With Decision No. 19-1855/1 dated May 26, 2005, on the participation of the Republic of Macedonia in the Community Programmes, the Government designated the Ministry of Education and Science to be the national coordinating body for participation in the Community Programmes in the field of education and science - Socrates II and Leonardo da Vinci II. These programmes are in the second phase of their implementation, which ends on December 31, 2006.

The Decision of the EC, as of July 14, 2004, on launching this new generation of EU Programmes in the area of life-long learning named „**Integrated Life Long Learning Programmes**” is under review by the European Parliament, and its approval is anticipated by July 2006, at the latest.

The obligation to establish a National Agency, as a prerequisite for participation in Community Programmes also refers to the „Integrated Life Long Learning Programmes.”

The National Agency for the Community Programmes in the Field of Education and Training will be established as a special independent structure with a legal entity status, with a coordinative role in the implementation of the Integrated Life Long Learning Programmes at a national level, including management of budget funds.

The National Agency will manage the decentralized activities in different programmes, it will be assigned specific responsibilities related to the selection of projects (formal evaluation) and the distribution of grants for diverse actions, and it will have obligations related to monitoring and financial management. In addition, the National Agency shall perform numerous functions related to the dissemination of information on different programme actions, assistance in identifying suitable partners, advice on successful application, and appropriate feedback on the way in which the programmes function. The National Agency will be the contact point for the European Commission, and it will provide coordination between the different national ministries and other bodies, to which the diverse programme actions refer.

The activities of the National Agency will be co-financed by 50% from the national budget, and 50% from the CARDS Programme.

The planned initial number of employees in 2007 is 5, while depending on the absorption capacity and the budget, the number of employees will increase every year up to 2010.

Also, appropriate expert assistance is necessary in order to develop the organizational structure and method of operation of the National Agency. Appropriate technical and IT equipment is necessary, as well as training for the staff which will be engaged in the work of the National Agency.

MEDIUM-TERM PRIORITIES

LEGISLATION HARMONIZATION

The following amendments to the Law on Primary Education and the Law on Secondary Education are envisaged for 2010:

- Regulation of the conditions and procedure for licensing teachers in primary and secondary education
- Provision of primary and secondary education for the children of citizens of the EU member states, whereby the Council Decision 31994D0557 as of June 17, 1994 shall be transposed for granting authorisation to the European Community and the European Community for Atomic Energy to agree upon and sign the Convention on Determining the European School Statute and Council Directive 31977LO486 as of July 25, 1977 on education of children of migrant workers (77/486/EEK).

3.26.2 HIGHER EDUCATION

CURRENT SITUATION

LEGAL FRAMEWORK

The field of higher education is regulated under the Law on Higher Education (Official Gazette of the RM No. 64/00 and 49/03), which regulates the autonomy of the universities; the types of higher education institutions (private and state); the provision and assessment of quality in higher education (the Accreditation Board and the Evaluation Agency have been established to work as independent professional bodies); the establishment and closure of higher education institutions (state and private); the organizational units in higher education and the types of cooperation; higher education institution bodies and their competencies; development and funding of higher education institutions which is performed through the Council for Higher Education Development and Funding; higher education activity; scientific, educational and associate titles; student status, student rights and student participation in management; recognition of diplomas and oversight on the activity of the higher education institutions.

The Republic of Macedonia is a signatory country of the Bologna Declaration of September 2003, however, the preparations for entering into the Bologna process started earlier. Therefore, the basic purpose of the Law on Higher Education, adopted in 2000 and amended and modified in July 2003 (Official Gazette of the Republic of Macedonia No. 49/03) is to establish a legal framework in order to organize higher education in line with the European Standards, and to include higher education institutions in the Bologna process.

Under the Law, higher education institutions need to establish academic regulations in compliance with a credit system, such as the European Credit Transfer System, and a new structure of the study programmes as in accordance with the Bologna Declaration. The Law improves the access to higher education for the members of the non-majority communities in the Republic of Macedonia.

INSTITUTIONAL FRAMEWORK

The institutions responsible for the implementation of the Law on Higher Education are the Ministry of Education and Science, the universities and the higher education institutions operating under universities.

Concerning higher education **the Ministry of Education and Science** is responsible for:

making the decision to launch the newly-established higher education institutions, once it is determined that they meet the conditions, as well as to delete higher education institutions from the Higher Education Institutions Register, provided that the founder had previously determined that the need for the work of that higher education institution no longer exists; maintaining the Register of Higher Education Institutions of the Republic of Macedonia; initiating proceedings for the annulment of the right to perform higher education activities when the higher education institution has ceased to meet the conditions for operating as such; giving consent for the study programmes of private higher education institutions upon previous accreditation of the study programmes granted by the Accreditation Board; determining the manner of keeping records and contents, and the issuance of national certificates, upon the proposal of the Inter-University Conference; making final decisions for the recognition of higher education qualifications or higher education studies partly undergone abroad on the basis of the draft-decision proposed by the Professional Recognition Commission established by the Educational and Scientific Council of the respective higher education institution; the implementation of ratified bilateral agreements for mutual recognition of degrees; and overseeing the compliance of higher education institutions operations with the Law.

The universities and higher education institutions operating under universities deliver higher education services in compliance with the Law on Higher Education, and in accordance with the autonomy guaranteed by the Constitution. There are three state universities in the Republic of Macedonia: the University of „St. Cyril and Methodius“ in Skopje with 23 faculties in its composition all of which enjoy their own individual legal status; the University of „St.Kliment Ohridski“ in Bitola with 6 faculties and one higher technical school all of which enjoy their own individual legal status; and the State University in Tetovo with 4 faculties and one higher technical school which do not have a legal entity status. Three private universities have been founded which consist of higher education institutions without a legal entity status: The South East Europe University in Tetovo with 5 faculties and 2 higher technical schools, European University with 5 faculties, and New York University with 5 faculties within its framework.

In order to conduct the accreditation and evaluation process in higher education, i.e. for the purpose of developing and financing higher education activity, the Accreditation Board, Evaluation Agency, and Council for Development and Financing of Higher Education Activity have been established as independent professional bodies, the members of which are appointed for a period of four years.

The Higher Education Accreditation Board is composed of 15 members elected from among professors and scholars, 9 of which are appointed by the Inter-University Conference of the universities in the Republic of Macedonia, 2 of which are appointed by the Macedonian Academy of Sciences and Arts, and 4 of which are appointed by the Government of the Republic of Macedonia. The Accreditation Board, within the boundaries of its powers, decides whether the project for opening a higher education institution meets the requirements for performing higher education activities, decides upon the accreditation of scientific institutes intending to organize postgraduate and doctoral studies, determines whether higher education institutions meet the requirements for organizing studies of new study programmes, determines the academic capacity, and grants accreditation to study programmes.

The Higher Education Evaluation Agency is composed of nine members elected by the Accreditation Board and upon the proposal of the Inter-University Conference, from among the professors teaching in higher education institutions. The Evaluation Agency conducts external evaluation of higher education institutions; monitors the activity of higher education institutions which have been accredited on the basis of the report drafted by the Higher Education Evaluation Commission; every five years, it assesses the condition and activities of higher education institutions and faculty, and proposes, to the Accreditation Board, a renewal or seizure of the accreditation; it evaluates the quality of the academic staff (faculty) at the universities and proposes measures for improvement. The Evaluation Agency publishes a report on the evaluation results, which is submitted to the Assembly and the Government of the Republic of Macedonia, as well as to the Ministry of Education and Science and the Accreditation Board.

The Council for the Development and Funding of Higher Education is composed of 15 members elected from among the teaching scholars, artists and scientists taking into account the appropriate representation of all scientific fields. The Government of the Republic of Macedonia appoints the President and six members of the Council, and the Inter-University Conference appoints and removes eight Council members. The Council, within the framework of its competences, proposes the Programme for Higher Education Activity to the Government; decides upon the distribution of funds for higher education; distributes funds for investments, for the maintenance of existing and the procurement of new equipment, and for ensuring depreciation and insurance; determines measures and criteria for granting funds to higher education institutions, determines measures and criteria for granting scholarships to talented students; and harmonizes the measures and criteria for co-funding studies and other student co-payment with the universities. The Council submits an annual report on its activity to the Minister of Education. The Minister approves the acts drafted by the Council.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The second quarter of 2006 is envisaged for drafting amendments to the Law on Higher Education, which is supposed to ensure the concrete normative implementation of the Bologna Declaration principles, especially with regards to the establishment of a European university model: a single credit transfer system at both the university and national level; a higher education system featuring three cycles; improvement in the system of provision of quality higher education; compulsory issuance of diploma supplements; development of the lifelong learning principle; and incorporation of relevant standards to ensure that higher education in Macedonia becomes an integral part of the Single European Higher Education Area. With the aforementioned amendments to the Law, and in particular those pertaining to the recognition of foreign higher education qualifications and regulated professions, harmonization will be made with the following EU measures:

Council Directive 31989L0048 on a general system for the recognition of higher-education diplomas awarded on completion of professional education and training of at least three years' duration (89/48/EEC);

Directive 31985L0384 on the mutual recognition of diplomas, certificates and other evidence of formal qualifications in architecture, including measures to facilitate the effective exercise of the right of establishment and freedom to provide services (85/384/EEC);

Directive 31978L0686 concerning the mutual recognition of diplomas, certificates and other evidence of the formal qualifications of practitioners of dentistry, including measures to facilitate the effective exercise of the right of establishment and freedom to provide services (78/686/EEC);

Directive 31981L1057 supplementing Directives 75/362/EEC, 77/452/EEC, 78/686/EEC and 78/1026/EEC concerning the mutual recognition of diplomas, certificates and other evidence of the formal qualifications of doctors, nurses responsible for general care, dental practitioners and veterinary surgeons respectively, with regard to acquired rights (81/1057/EEC);

Directive 31985L0433 concerning the mutual recognition of diplomas, certificates and other evidence of the formal qualifications in pharmacy, including measures to facilitate the effective exercise of the right of establishment relating to certain activities in the field of pharmacy (85/433/EEC);

Directive 31993L0016 to facilitate the free movement of doctors and the mutual recognition of their diplomas, certificates and other evidence of formal qualification (93/16/EEC);

Council Directive 31992L0051 on a second general system for the recognition of professional education and training to supplement Directive 89/48/EEC (92/51/EEC);

Council Decision 31985D0385 of June 10, 1985 setting up an Advisory Committee on Education and Training in the Field of Architecture (85/385/EEC);

Council Decision 31975D0364 of June 16, 1975 setting up an Advisory Committee for Medical Training (75/364/EEC);

Council Resolution 32002G0709(1) of June 27, 2007 on life long learning;

Council Directive 31978L1026 of December 18, 1978 concerning the mutual recognition of diplomas, certificates and other evidence of the formal qualifications in veterinary medicine, including measures to facilitate the effective exercise of the right of establishment and freedom to provide services (78/1062/EEC);

Council Directive 31989L0594 of October 30, 1989 amending Directives 75/362/EEC, 77/452/EEC, 78/686/EEC, 78/1026/EEC and 80/154/EEC relating to the mutual recognition of diplomas, certificates and other evidence of formal qualifications as doctors, nurses responsible for general care, dental practitioners, veterinary surgeons and midwives (89/594/EEC) together with Directives 75/363/EEC, 78/1027/EEC and 80/155/EEC concerning the coordination of provisions laid down by Law, Regulation or Administrative

Action relating to the activities of doctors, veterinary surgeons and midwives;

The drafting of new norms and standards for the establishment of higher education institutions and for the realisation of higher education services is in process. These norms have to be submitted to the Government of the Republic of Macedonia by the higher education institutions, in order to be adopted. Once the amendments to the Higher Education Law are enacted, a need will arise for the adoption of new or the modification of the existing secondary legislation which at this stage of drafting of the Law have not yet been determined.

STRATEGIC DOCUMENTS

The *Higher Education Development Programme* is a constituent element of the National Programme for the Development of Education. The former was scheduled for adoption by the Government and the Assembly of the Republic of Macedonia in February 2006. The programme constitutes an operating framework with specific objectives and activities aimed at the accomplishment of the mission and the vision of higher education in the Republic of Macedonia, containing clearly defined responsibilities for all factors involved in the process – the Government, the Ministry of Education and the universities – with the aim to ensure that higher education will become a part of the European Knowledge-Based Area founded on the fundamental principles of the Bologna Declaration and on other important international documents.

INSTITUTIONAL CAPACITY

The amendments to the Law on Higher Education envisage that the Accreditation Board and the Evaluation Agency be merged into a single body: the Accreditation and Evaluation Board.

This Accreditation and Evaluation Board will grant accreditation for the establishment of higher education institutions; it will grant accreditation to scientific institutions that will provide graduate and doctoral studies; it will decide about whether the conditions are fulfilled for organizing, offering and delivering curricula and accredit the new curricula; it will conduct external evaluation of higher education institutions and provide an overall evaluation of the quality of teaching staff at the universities in the Republic of Macedonia.

FOREIGN ASSISTANCE

With the support from the TEMPUS Programme in the Republic of Macedonia (74 Joint European Tempus Projects, 10 structural and complementary measures, 10 compact measures, and over 330 scholarships for individual mobility), the current reform procedures which involve the introduction of modules, courses and curricula with European content, orientation, and organization, are strengthened and accelerated. Higher education institutions are encouraged to work on the development of integrated curricula and joint degrees at the first, second and third level. Joint degree curricula are designed to guarantee that a significant part of the studies is spent abroad. A high number of first and second level modules, courses and curricula with European content, as well as capacity-building training for the public administration are a guarantee for the successful implementation of the obligations specified in the Stabilization and Association Agreement.

3.26.3 YOUTH

PARTICIPATION AND INFORMING THE YOUTH

CURRENT SITUATION

LEGAL FRAMEWORK

The Law on Associations of Citizens and Foundations (Official Gazette of the Republic of Macedonia No. 31 of 02.07.1998) regulates the establishment and functioning of citizens associations and foundations in general, but it does not contain separate legal provisions that define youth citizens associations as a prerequisite for higher and organized youth participation in the public life and in the information of youth.

Considering the international experiences, as well as the practice of institutions and the non-profit sector established in the Republic of Macedonia, under the term youth in the Republic of Macedonia is understood a separate socio-ethical category of the population of the Republic of Macedonia, aged between 15 and 24. Under the term youth citizens association is understood every association of citizens which is led by young people, and works with and for young people.

With the aim to support youth citizens associations, a Rulebook for financing youth citizens associations within the framework of youth and sport , which regulates the method and kinds of activities that can be financed with funds from the state budget through the Agency for Youth and Sport of the Republic of Macedonia, was adopted. The fields that have priority when financing is concerned are determined on a yearly basis in accordance with the priorities of the country for the same year.

STRATEGIC DOCUMENTS

With the aim to support the general development of youth as the driving force behind the Macedonian society, a National Strategy for Youth of the Republic of Macedonia (Government of the Republic of Macedonia, 14.12.2005) was adopted. The Strategy determines the founding values of youth policy, the priorities and priority fields in the Republic of Macedonia for the advancement of youth, the institutional framework and its implementation, as well as specific short-term and long-term priorities and activities in every priority field. The Strategy determines the following activities as activities of special interest to youth: education and training, informal education, youth entrepreneurship, participation in public life and informing, culture, and the advancement of youth at a local level. This strategy completely takes into account the White Paper on the Development of Youth in Europe (adopted by the European Commission on 21.11.2001).

Funds for the realization of concrete activities and projects in the Strategy are allotted from the Budget of the Republic of Macedonia and distributed with the Annual Programme for the Support of Projects of Citizens Associations in the Field of Youth, on the basis of a Decision by the Director of the Agency for Youth and Sport taken as a result of a public competition, and upon proposal of the relevant commission made up of representatives of the Agency for Youth and Sport and external associates.

INSTITUTIONAL FRAMEWORK

The Agency for Youth and Sport in the Republic of Macedonia (Law on the Organisation and Work of the Bodies of the Civil Administration: Official Gazette of the Republic of Macedonia No. 58/2000), is an independent body of the Government of the Republic of Macedonia responsible for accomplishing the tasks which pertain to the advancement of youth and their development as active citizens and psychologically-physically healthy individuals. Within the framework of the Agency, two Units operate in the Sector for Youth, namely the Unit for International Cooperation (responsibilities: participation in international forums, youth exchanges, and projects), and the Unit for Youth Policy (responsibilities: implementation of the National Strategy for Youth and cooperation with citizens associations).

Relevant activities and projects in the field of youth are also implemented by the Ministries of Education and Science, Labour and Social Policy, Culture, and Economy, as well as several more national institutes, and citizens associations and institutions on the national and local level, all of which operate independently, in coordination with the Agency for Youth and Sport, or via participation in the programmes and projects of the annual competitions of the Agency for Youth and Sport, with which the Annual Programme for the Support of Projects of Citizens Associations in the Field of Youth are realized.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The legal framework is based on Article 149 of the Treaty Establishing a European Economic Community (March 1957), the White Paper on the Development of Youth in Europe (November 2001), and the European Youth Pact (European Council – March 2005).

With the aim to incite active participation of youth in public life, youth participation in non-profit organizations and in volunteer work within different humanitarian and non-profit associations, the Law on Voluntary Work, which will especially regulate the rights and obligations of volunteers, and youth exchange of volunteers with other countries, and will legally regulate volunteer experience, is planned to be initiated. This Law is planned to be adopted during the first quarter of 2007.

INSTITUTIONAL CAPACITY

With the aim to successfully implement the National Strategy for Youth and the determined legal interventions, as well as to ameliorate the communication and efficiency of cooperation with the Youth NGO sector and the coordination with the rest of the state bodies, more employees are needed in the Sector for Youth – Unit for Youth Policy, for the following fields:

- Informal education and training;
- Employment and Entrepreneurship of Youth;
- Youth Participation and Information;
- Advancement of Local Youth;

The Agency for Youth and Sport will draft a framework programme for the education of personnel and professional help in the field of youth work, support for youth programmes and sustainable local youth development, as part of the preparatory work for participation in the Programme “Youth in Action” of the European Union (2007-2013).

STRATEGIC DOCUMENTS

As in accordance with the Conclusion of the Government of the Republic of Macedonia during the session held on 14.12.2005, in flow is the preparation of an Action Plan for the Implementation of the National Strategy for Youth, the adoption of which is planned for the third quarter of 2006.

Preparation for participation in the Community Programme in the field of Youth

The Agency for Youth and Sport in the Republic of Macedonia has been designated by the Government of the Republic of Macedonia (Decision of the Government No. 19-1855/1 of May 26,2005) as the national coordinative body for participation in the Community Programme YOUTH. The YOUTH Programme ends on December 31, 2006, after which follows the implementation of the new Programme YOUTH IN ACTION 2007-2013.

The main precondition for participation of the Republic of Macedonia in the Community Programmes in the field of YOUTH is the establishment of a National Agency for YOUTH in the Republic of Macedonia.

This Agency will be established as an independent institution – a separate legal entity and contact-point of the European Commission.

The main responsibilities of the Agency will be:

1. The dissemination of information for the Programme and the range of potential users of the Programme
2. Counselling and education for successful application;
3. Evaluation and selecting of projects;
4. Distribution of grants;
5. Monitoring, evaluation, and coordination on the implementation of financed projects and activities;
6. Finding partners;
7. Managing budget funds;

The National Agency, its establishment, and its activities will be financed with funds from the Budget of the Republic of Macedonia (50%) and the CARDS Programme (50%).

The number of employees in the National Agency will steadily increase until the end of the year 2010, by which year 8 people will need to have been employed. With the increase of the absorption capacity, the amount of managed sub-programmes of the Agency will increase.

With the aim to have a successful launch of the National Agency, its organisational and procedural establishment, appropriate technical aid and education of personnel through training and study visits of similar Agencies will be needed.

Also needed is the purchase of appropriate technical and IT support which will enable the successful implementation of its functions in the fields of communication, the system of monitoring and evaluation, and the system of financial management.

MID-TERM PRIORITIES

LEGAL FRAMEWORK

Planned for the medium term is the accession of the Republic of Macedonia to the European Charter for the Participation of Youth in the Local Life of the Community, through the preparation and adoption of the Draft-Law on Associative Life of Youth and Youth Information which will include fields such as the establishment of national and local youth councils, the financing of youth citizens associations, and the participation of youth in the public life of the community and youth information. The Law is based on the current process of decentralization and the need for deeper regulation of the legal framework for the functioning and financing of youth citizens associations. The adoption of this Law is planned for the second quarter of 2008 at latest.

INSTITUTIONAL CAPACITY

With the aim to successfully implement the National Strategy for Youth 2005-2015 and the planned legal interventions, as well as including a youth dimension to the legislation, the establishment of a Commission for Youth within the framework of the Assembly of the Republic of Macedonia is needed. It is planned that the Commission be initiated and start to work during the fourth quarter of 2008 at latest.

FOREIGN ASSISTANCE

Youth citizens associations have had the right to apply directly to the Community Action Programme "European Voluntary Service for Young People", since the year 2000. For the rest of the actions, participation is realised through partnership with other organisations which apply directly. In the year 2005, three contact points of the "Youth" Community Action Programme were opened in the Republic of Macedonia (Youth Forum OKO-Struga, Centre for the Prevention of Youth Delinquency-Kavadarci, and Young Males Christian Association-Makedonija). With the accession of the Republic of Macedonia to the new Community Programme "Youth in Action (2007-2013)", it is expected that youth organizations from the Republic of Macedonia will acquire concrete financial support for youth exchange, cross-border cooperation, training and capacity building, and the development of volunteer work. With that, it is expected that the existing budget for support of youth NGO's within the Agency for Youth and Sport will be directed towards other strategic needs (training for state institutions in the field of youth, the employment of youth, etc).

3.26.4 CULTURE

3.26.4.1 ART WORK AND INTERNATIONAL COOPERATION

CURRENT SITUATION

LEGAL FRAMEWORK

The *Law on Culture* (Official Gazette of RM No. 31/98, 49/03, 82/05) regulates the bases of culture as the fundamental value of the Republic of Macedonia, the forms in which culture is practiced, the methods of financing culture and other issues of interest, whereby culture covers the creation as well as the release of artwork and the protection and use of works of art.

In the context of this law, activities in the area of culture are publishing and activities of protection and use. Release activities are publishing activity, music and stage performance activities, film, art galleries, activities conducted in culture homes and culture mediation activities.

The following have been issued in line with the Law on Culture: *Rulebook on the Mandatory Elements Contained in the Programmes and Projects of National Interest in the Area of Culture* (Official Gazette of RM no.79/00); *Rulebook on the Criteria for Financing Programmes and Projects in Separate Areas of Culture* (Official Gazette of RM no. 61/04); and *Rulebook on Defining the Criteria, the Procedure and the Method for Providing Favourable Conditions and Funds from the National Budget to Individual Artists* (Official Gazette of RM no.52/00).

STRATEGIC DOCUMENTS

The *National Programme on Culture for the Period 2004-2008* (Official Gazette of RM 6p.31/04) was adopted so that the quality of culture as a fundamental value in the lives of citizens of the Republic of Macedonia would be maintained and raised. It lays down the fundamental principles in culture, the goals, the instruments for implementing the strategy, as well as the priorities for the development of culture.

The National Programme defines a wide range of priorities pertaining to the general National Programme, the implementation of which should take place until 2008, as well as the priorities pertaining to separate activities in the area of culture in light of their specifics. The general priorities specified in the National Programme are the following: decentralization, balanced support of cultural heritage and contemporary artwork, improvements in culture management, promotion of the cultural identity of communities, cooperation with non-governmental organizations, and international cooperation with neighbouring countries.

Under the Law on Culture, *annual programmes for pursuing the national interest in the area of culture* are adopted with a view to ensuring the realization of the National Programme. The funds making this pursuit possible come from the budget of the Republic of Macedonia and are distributed in accordance with the Annual Programme for Pursuing the National Interest in Culture, as approved by the Minister of Culture on the basis of a competitive programme and with consideration of proposals made by commissions and internal associates engaged to draft the annual programme.

INSTITUTIONAL FRAMEWORK

Under the *Law on the Organization and Operation of State Administrative Bodies* (Official Gazette of RM no.58/2000), The Ministry of Culture is the body responsible for the performance of activities pertaining to the: monitoring, analysis, proposal of measures aimed at the development and promotion of culture, activities in the area of culture, protection of copyright and other related rights, oversight and other matters specified in the Law.

There are two sectors in the Ministry responsible for supporting programmes in the area of artwork and international cooperation: *Sector for Artwork and Activities Related to the Creation of Art, and Sector for International Cooperation, European Integration and UNESCO*. The two sectors are organized in seven units.

According to the Law on Culture, in addition to the state institutions, there are 52 national and 48 local institutions, artists, independent artists, privately owned institutions, other legal and natural entities that perform activities related to culture, and that are selected to take part in programmes and projects by way of competitive selection processes organized by the Ministry of Culture for the purposes of implementing the Annual Programme and pursuing the national interest in this area.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

The decentralization process which is currently under way imposes the need for preparing and making analyses for adjustments, for which purpose the Ministry of Culture will prepare an analysis aimed at drafting amendments to the Law on Culture by the end of May 2006. The passage of such amendments is scheduled for the first quarter of 2007.

The analysis surrounding the modification of the Law on Culture will clarify some of the provisions inhibiting the application of the law in practice, whereby the legal framework which allows for conditions and standards of the development of culture at the local level similar to those existing in developed European countries, will be further developed.

The Rulebook on mandatory elements contained in the programmes and projects of national interest in the area of culture (Official Gazette of the Republic of Macedonia No. 79/00) is scheduled to be amended in the first quarter of 2007, in order to introduce project application forms.

Preparations on behalf of the Ministry of Culture are under way, so as to take part in the "Culture 2000" Community Programmes for projects aimed at art work (gallery works, stage performance, etc.) and so as to participate in the programmes of the cities chosen to be European Cities of Culture, in compliance with Decision 31999D1419 (1419/1999/EC) of the European Parliament and the Council dated May 25, 1999, in relation to the activities of the Association for European Cultural Competitions for the Period 2005 - 2019.

INSTITUTIONAL FRAMEWORK

For the purpose of increasing the efficiency of the sectors responsible for the implementation of the art work programmes and international cooperation, *it is necessary to recruit five civil servants in the Sector for Artwork and Activities Related to the Creation of Art, and four civil servants in the Sector for International Cooperation, European Integration and UNESCO*.

The establishment of a separate Unit for Homes of Culture, Centres of Culture, and Culture and Art Societies is currently under way, which means that they will be separated from the Unit for Music and Stage Performance Activities and Homes of Culture in light of the fact that under the Law on Culture, the activities of Homes of Culture are defined as separate. The Unit for Music and Stage Performance Activities and Homes of Culture follows the work of the philharmonic, symphonic and other orchestras, the choirs, the opera, the ballet, the ensemble for folk songs and dances, the dance ensembles, and culture and art societies, which is why its functioning has to a large extent been difficult. The newly established unit will have two civil servants working in it.

3.26.4.2 PROTECTION OF CULTURAL HERITAGE

CURRENT SITUATION

a) LEGAL FRAMEWORK

Pursuant to the *Law on Culture*, (Official Gazette of RM no.66/03 and 82/05) activities in the area of culture are activities of release, protection and use, where activities of protection and use of material and spiritual creation in the country and in the communities living in the country are regulated with other specific laws.

For these reasons the *Law on the Protection of Cultural Heritage* (Official Gazette of RM no. 22/04 and 71/04), was passed in 2004, creating the necessary legal preconditions to ensure that the issues surrounding the protection of cultural heritage are set on new foundations and brought in line with the new social and legal system.

This law defines the types, categories, identification, methods of defining items under protection and other instruments deployed to ensure the protection of cultural heritage, the regime of protection and use of cultural heritage, the rights and responsibilities of holders and the restrictions of the rights to cultural heritage of public interest, the organization, coordination and oversight, as well as other important issues of concerning the entirety and the functioning of the system of protection of cultural heritage in the Republic of Macedonia.

The normative framework regulating the treatment of protection of cultural heritage will be completed following the adoption of several pieces of secondary legislation arising from the Law. Thus far 7 rulebooks have been published, while additional 6 pieces of secondary legislation are currently being drafted.

The need to bring the activities conducted in museums and libraries in compliance with the Constitution of the Republic of Macedonia, the Law on Culture, the Law on Local Self Government and the Law on the Protection of Cultural Heritage provided the reason for the adoption of the **Law on Museums and the Law on Libraries** (*Official Gazette of RM no.66/04*), and the *Law on Monuments and Memorials* (Official Gazette of RM no.66/04), thus establishing a new system for activities conducted in museums and libraries.

Currently work is being done on the drafting of by-laws arising from the aforementioned laws, which in essence will ensure their full application.

The adoption of the law and the by-laws pertaining to the protection of cultural heritage created conditions for the implementation of the Council Resolution 32002G0706 (02) on *preserving tomorrow's memory – preserving digital content for future generations*.

6) INSTITUTIONAL FRAMEWORK

Pursuant to the *Law on the Organization and Operation of State Administration Bodies* (Official Gazette of RM no.58/2000), the Ministry of Culture is responsible for the performance of activities pertaining to the monitoring, analysis, proposal of legislation and measures for the development and promotion of culture, activities in the field of culture, protection of copyright and other related rights, oversight within its remit, and other matters determined by law.

Under the existing systematization of jobs in the Ministry of Culture, the protection of cultural heritage falls under the responsibility of the Sector for the Protection of Cultural Heritage. This sector has three units which are responsible for library activities, museum activities and cinematography, and the protection of immovable cultural heritage.

The Directorate for the Protection of Cultural Heritage is a body specialized to conduct administrative (managerial) and professional activities in the field of cultural heritage. Inspection and oversight is a separate competence exercised through inspectors for cultural heritage, control of conservation projects carried out by the national institutions, control of the circulation of cultural heritage, and other activities.

One of the other competencies of the Directorate is to direct of the National Registry of Cultural Heritage and the Information System for Cultural Heritage of the Republic of Macedonia.

According to the Law on the Protection of Cultural Heritage, the institutions responsible for the protection of immovable cultural heritage are: the *National Conservation Centre* as the main institution with six *Conservation Centres* operating in the respective regions of their establishment. The institutions responsible for the protection of movable cultural heritage are the *museums and the National Museum of Macedonia*, Skopje, as the primary institution; *libraries and the National and University Library St. Clement of Ohrid in Skopje*, as the main institution; and the *Film Archive of the Republic of Macedonia*. In addition to the national and local institutions for the protection of cultural heritage, other entities responsible for and authorized to work in the area of the protection of cultural heritage are: the *National Archive*; the *National and University Library St. Clement of Ohrid in Skopje* as the entity authorized

to protect audio recording materials; the Folklore Institute Marko Cepenkov responsible for protection of folklore; and the Macedonian Language Institute Krste Misirkov as the body responsible for protection of the language and toponyms.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

During 2006, all the bylaws arising from the Law on the Protection of Cultural Heritage, the Law on Museums, and the Law on Libraries shall be adopted.

Pursuant to the Law on the Protection of Cultural Heritage, the Government of the Republic of Macedonia, upon the proposal of the National Council for Cultural Heritage, shall adopt the *National Strategy for the Protection and Use of Cultural Heritage*, and the *National Action Plan for the Prevention of Crime Committed Against Cultural Heritage*, during the second quarter of 2006.

The Law on the Protection of Cultural Heritage provides appropriate norms in view of building a proper information system on cultural heritage. The information system shall be run by the Directorate for the Protection of Cultural Heritage, and with that, a relevant data base and central information network between the public entities responsible for the protection of cultural heritage shall be established, and publicly accessible and accurate information on cultural heritage shall be provided. During the second quarter of 2006, the *Rulebook on Protective Records*, and the *Rulebook on Preserving, Processing, and the Manner of Keeping Documentation on Cultural Heritage*, are scheduled to be passed, what will round up the prerequisites for harmonization with the *European Union Council Resolution 32002G0706 (02)* on preserving tomorrow's memory — preserving digital content for future generations.

The preparations for participation in the Council of Europe Programme – Culture 2000, in projects aimed at the protection of cultural heritage, will provide education of staff and professional assistance in the field of protection of cultural heritage.

STRATEGIC DOCUMENTS

Pursuant to the Law on the Protection of Cultural Heritage, and for the purpose of securing a single approach in identifying cultural heritage and building a cultural heritage information system with quality comparability and usable data, cultural heritage has been classified according to the *National Classification of Cultural Heritage*. The procedure for passing the aforementioned is under way, and it is planned that the Government of the Republic of Macedonia adopt it in the first quarter of 2006.

INSTITUTIONAL FRAMEWORK

The capacities of the Ministry should be increased by way of hiring a civil servant to work in the library unit so that the efficiency of the Sector for the Protection of Cultural Heritage is enhanced.

Under the by-law on organization and systematization of the Directorate for the Protection of Cultural Heritage, the Unit for Movable and Spiritual Heritage within the Sector for the Identification, Protection, and Use of Cultural Heritage should be split into two organizational units, i.e. a Unit for Movable Cultural Heritage and a Unit for Spiritual Heritage. The amended by-law on organization and systematization will impose the need for employing two additional civil servants.

MEDIUM-TERM PRIORITIES

The implementation of the Law on the Protection of Cultural Heritage will raise the public awareness and sensitivity on the issue of the protection of cultural heritage.

FOREIGN ASSISTANCE

The Ministry of Culture is interested in participating in the Community Programme “Culture 2000” in projects aimed at art work (gallery, stage performance activities, and others), as well as participating in the programmes of the cities chosen as European Capitals of Culture.

In the field of cultural heritage, in progress is a project on the “Valorization of Cultural Heritage,” which has been realized for some years with the support of the Government of the Republic of France, and for which currently aid is expected from the Culture 2000 Programme.

The realization of the project “Regional Programme for Cultural and Natural Heritage” of the countries of South-East Europe, with the support of the European Commission, the Council of Europe, and Culture 2000, has also been in course since 2003.

During the year 2006, the Ministry of Culture expects the start of training within the framework of the MEDIA PLUS EU Programme.

INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget item number	Institutions	2006	2007	2008	2009	2010	Total
16001	Ministry of Education and science– NEW: Centre for Vocational Education and Training (Law on Vocational Education and Training)	7	5	0	0	0	12
	NEW: National Agency for the Community Programmes in the Field of Education and Training	5	0	0	0	0	5
	MES– Sector for Higher Education (Law on Higher Education)	10	0	0	0	0	10
16001 Total		22	5	0	0	0	27
16002	Ministry of Education– Bureau for the Development of Education	4	4	4	4	4	20
	NEW: Bureau for the Development of Education - State Examination Centre	3	3	3	3	3	15
16002 Total		7	7	7	7	7	35
18001	Ministry of Culture – Sector for Artwork and Activities Related to the Creation of Art; Sector for International Cooperation, European Integration, and UNESCO;	5	4	0	0	0	9
	Ministry of Culture -- Sector for the Protection of Cultural Heritage; Directorate for the Protection of Cultural Heritage;	1	2	0	0	0	3
18001 Total		6	6	0	0	0	12
Total		35	18	7	7	7	74

3.27 ENVIRONMENT

1. CURRENT SITUATION

STRATEGIC DOCUMENTS AND LEGISLATION

In the course of the past several years, for the area of environment and physical planning in the Republic of Macedonia, several strategic documents have been developed and adopted. These documents define the policies and the directions of development in the areas of environment and physical planning, and these are:

1. National Waste Management Plan, (2006);
2. National Framework for Biosafety, (2005);
3. Environmental Awareness Strategy, (2005);
4. Environmental Communication Strategy, (2005);
5. Environmental Data Management Strategy, (2005);
6. Strategy and Action Plan for the Aarhus Convention Implementation, (2005);
7. National Plan for Reduction and Elimination of Persistent Organic Pollutants in the Republic of Macedonia, (2005);
8. National Capacity Needs Self Assessment for Global Environmental Management, (2005)
9. Vision 2008 (2004);
10. Spatial Plan of the Republic of Macedonia, (2004), (Official Gazette of the Republic of Macedonia No.39/04);
11. National Strategy and Action Plan for Biological Diversity Protection (2004);
12. National Study on Biological Diversity, (2003);
13. First National Communication on Climate Change and Action Plan, (2003);
14. National Environmental Health Action Plan (NEHAP), (1999);
15. National Environmental Action Plan (NEAP), (1996), the Second National Environmental Action Plan (NEAP 2) is in a phase of adoption;
16. National Programme for Elimination of Ozone Depleting Substances, (1996), and
17. Water Master Plan of the Republic of Macedonia, (1978), while the development and adoption of a new Plan is in procedure.

The national environmental legislation, in certain subchapters, is to a great extent harmonized with the EU law, while in others it is in the initial stage of gaps analysis (chemicals and GMO). Further harmonization will be achieved through adoption of secondary legislation on the basis of the adopted laws, as well as through adoption of the Law on Chemicals, Law on Genetically Modified Organisms and Law on Noise in the Environment. The latter is in the stage of alignment by the relevant competent bodies.

Horizontal legislation: *The Law on Environment* (Official Gazette of the Republic of Macedonia No.53/05 and 81/05) is a framework law in the area of environment and it transposes the segment of the *acquis communautaire*, known as horizontal legislation. The Law on Environment regulates the basic principles and procedures of environmental management and pollution control, to which other sector laws make reference.

The Environmental Impact Assessment (hereinafter referred to as: EIA) is regulated by the Law on Environment, as well as by the *Decree on determining projects and criteria on the basis of which the screening for an environmental impact assessment shall be carried out* (Official Gazette of the Republic of Macedonia No.74/05). In addition to this, the Republic of Macedonia as a Party to the Convention on Environmental Impact Assessment in a Transboundary Context – Espoo Convention (Official Gazette of the Republic of Macedonia No.44/99) carries out the requirements contained therein in accordance with the Law on Environment, which stipulates the environmental impact assessment procedure in a transboundary context. The competent body for the implementation of the full EIA procedure is the Ministry of Environment and Physical Planning, including the segment of public participation in decision - making. The Strategic Environmental Assessment (SEA) procedure for certain strategies, plans and programmes is regulated by the Law on Environment, which contains ground for adoption of bylaws, as well as for the SEA Protocol implementation.

The procedure for free access to environmental information is defined in the Law on Environment, which is *lex specialis* in relation to the Law on Free Access to Public Information (Official Gazette of the Republic of Macedonia No.13/06), as a *lex generalis*. With the adoption of this Law, the procedural assumptions for the Aarhus Convention implementation have been fulfilled.

The Law on Environment has established the legal framework for performance of environmental monitoring and environmental reporting. The manner and the form of reporting on each individual medium and area have been regulated in the adopted sector laws. The basis for the liability for environmental damage is also regulated in the Law on Environment, and its full implementation requires adoption of bylaws, which will in detail determine the professional activities whose performance may lead to occurrence of liability for environmental damage.

Chapter XIX of the Law on Environment regulates issues of climate change, by which the *United Nations Framework Convention on Climate Change* (Official Gazette of the Republic of Macedonia No.61/97) is implemented and a basis for further transposition of the EU law is established.

At the moment, work on amendments of the Law on Environment is ongoing.

Protection and rescue of people and material goods against natural disasters, epidemics, epizootics, epiphytes and other accidents in peace and in war and against war activities are regulated by the *Law on Protection and Rescue* (Official Gazette of the Republic of Macedonia No.36/04 and 49/04) and the *Law on Fire Fighting Services* (Official Gazette of the Republic of Macedonia No.67/04).

Air: The air quality management is regulated by the *Law on Ambient Air Quality*, (Official Gazette of the Republic of Macedonia No.67/04) which is harmonized with the Framework Directive 31996L0096. On the basis of this Law, the *Decree on limit values of the levels and types of pollutants in ambient air and alert thresholds, terms for limit values achievement, limit value margins of tolerance, target values and long-term targets* (Official Gazette of the Republic of Macedonia No. 50/05) was adopted. The adoption of the *Rulebook on the ambient air quality assessment criteria* is underway, as well as the establishment of ambient air quality zones and agglomerations. In the Republic of Macedonia several bylaws, which regulate individual air emissions limit values, are in force. These bylaws were adopted on the basis of the old laws, and should be replaced by new ones, in accordance with the new Law on Ambient Air Quality. In this manner, full harmonization with the standards and legislation of the EU will be achieved.

Waste: The *Law on Waste Management* (Official Gazette of the Republic of Macedonia No.68/04 and 71/04) establishes the framework for waste management, including hazardous waste management, as well as other types of specific waste management. The Law establishes basis for adoption of bylaws in accordance with the requirements of the *acquis* and it is also a basis for the adopted *List of waste types* (Official Gazette of the Republic of Macedonia No.100/05), in which the following EU measures have been transposed: 32000D0532, 32001D0118, 32001D0119 and 32001D0573.

In the area of transboundary movement of waste, the provisions of several laws and bylaws apply, such as:

1. The Law on the Ratification of the Basel Convention on Transboundary Movement of Hazardous Wastes and their Disposal (Official Gazette of the Republic of Macedonia No. 49/97) and the Law on Ratification of the Amendment to the Basel Convention on Transboundary Movement of Hazardous Wastes and their Disposal and the Amendment to Annex 1, Annex 8 and Annex 9 (Official Gazette of the Republic of Macedonia No. 49/04);
2. Rulebook on the form and contents of the forms for transboundary movement of hazardous waste (Official Gazette of the Republic of Macedonia No. 37/03 and 38/03);
3. Decision on distribution of goods on export and import forms (Official Gazette of the Republic of Macedonia No. 113/05), and
4. Law on Carriage of Dangerous Goods (Official Journal of SFRY No. 27/90 and 45/90 and Official Gazette of the Republic of Macedonia No.12/93).

Waters: The *Law on Waters* (Official Gazette of the Republic of Macedonia No.4/98, 19/00 and 42/05) establishes the legal basis for protection and management of waters in the Republic of Macedonia. It regulates the manner of waters use and exploitation, protection against waters harmful effects, protection of waters against exhaustive water abstraction and pollution, water resources management, sources and manner of financing water economies' activities, awarding water for use upon approval (concession), transboundary waters and other issues of relevance for the provision of unique water use regime. A series of bylaws have been adopted on the basis of this Law for the purpose of its implementation. The Law is not harmonized with the *acquis communautaire* in this area.

The area of waters is also partially regulated by the following laws:

1. The Law on Protection of Ohrid, Prespa and Dojran Lakes (Official Gazette of SRM No, 45/77, 8/80, 51/88, 10/90 and Official Gazette of the Republic of Macedonia No. 62/93);
2. The Law on Hydro-meteorological Matters (Official Gazette of the Republic of Macedonia No. 19/92 and 5/03);
3. The Law on Mineral Resources (Official Gazette of the Republic of Macedonia No.18/99 and 29/02);
4. The Law on Inland Waterways Navigation (Official Gazette of the Republic of Macedonia No. 27/00 and 74/05);
5. The Law on Fisheries (Official Gazette of the Republic of Macedonia No.62/93);
6. The Law on Water Communities (Official Gazette of the Republic of Macedonia No. 51/03 and 95/05);
7. The Law on Water Economies (Official Gazette of the Republic of Macedonia No. 85/03 and 95/05);
8. The Law on Drinking Water Supply and Urban Wastewater Drainage (Official Gazette of the Republic of Macedonia No. 68/04), and
9. The Law on Concessions (Official Gazette of the Republic of Macedonia No.25/02 and 24/03).

In order to overcome the deficiencies of the existing Law on Waters, and for the purpose of introducing integrated approach to water management in accordance with the requirements of the European law, in 2003 drafting of a new Law on Waters was initiated. The Draft Law on Waters has transposed the basic requirements of the EU Framework Water Directive - 32000L0060.

Nature: The area of nature protection is regulated by the *Law on Nature Protection* (Official Gazette of the Republic of Macedonia No. 67/04 and 14/06). This Law has been harmonized with the *acquis communautaire* in this area, and it also integrates the obligations deriving from the ratified international agreements in the area of environment. Full implementation of the Law will be achieved through adoption of bylaws.

Industrial pollution: The integrated pollution prevention and control (IPPC) has been transposed in the *Law on Environment* (Official Gazette of the Republic of Macedonia No.53/05 and 81/05) and in the *Decree determining the activities of installations requiring integrated environmental permit or compliance permit with an operational plan and time table for submission of application for compliance permit with an operational plan* (Official Gazette of the Republic of Macedonia No.89/05). The IPPC procedure is also regulated in a *Rulebook on the procedure for obtaining a compliance permit with an operational plan*, *Rulebook on the procedure for obtaining A integrated environmental permit*, and *Rulebook on the procedure for obtaining B integrated environmental permit*, all three Rulebooks being published in the *Official Gazette of the Republic of Macedonia No. 4/06*. The sector laws, especially in the areas of air and waste, refer to application of the provisions on industrial pollution and risk management. The area of prevention and control of industrial accidents involving hazardous substances is regulated by the Law on Environment, while its full implementation will be achieved with the adoption of the relevant bylaws.

The Law on Environment stipulates awarding of national eco-label. For this purpose, Commission for Eco-label has been established and the *Rulebook on the form and the contents of the eco- label, the manner, conditions and procedure for its awarding and use, as well as the composition and manner of establishment and work of the Commission for Eco-label* (Official Gazette of the Republic of Macedonia No.109/05) has been adopted.

The same Law establishes the basis for adoption of environmental management system.

Genetically modified organisms: There is no Law in the Republic of Macedonia regulating issues concerning the management of GMO and GMO containing products, deliberate release or release of GMO into the environment or GMO containing products, as well as import, export and transboundary movement of GMO.

A working version of the Law on Genetically Modified Organisms has been prepared.

Chemicals: In the area of chemicals, there is no framework law regulating chemicals management in accordance with the *acquis communautaire* in this area. The national legislation regulates the management of poisons, plant protection products, artificial fertilizers, explosives, flammable liquids and gases, hazardous and harmful substances and products, etc. There are separate laws on flammable and explosive substances and precursors. The Law on Environment partially regulates the issues in the area of ozone depleting substances. The drafting of a new Law on chemicals has been initiated.

Noise: The area of protection against noise is regulated by the *Law on Harmful Noise Prevention* (Official Gazette of SRM No. 21/84, 10/90 and Official Gazette of the Republic of Macedonia No.62/93). Segments of this area are also regulated by:

1. The Law on Environment (Official Gazette of the Republic of Macedonia No. 53/05 and 81/05);
2. The Law on Catering Industry (Official Gazette of the Republic of Macedonia No. 62/04,) and
3. The Law on Sanitary and Health Inspection (Official Gazette of the Republic of Macedonia No.19/95).

This area is also regulated by a series of bylaws. The legislation in the area of noise has not been harmonized with the EU *acquis*, and therefore drafting of a *new Law on Noise in the Environment* has been initiated.

Forestry: The *Law on Forests* (Official Gazette of the Republic of Macedonia No. 47/97, 7/00 and 89/04) regulates forests cultivation, use and protection, where the protection of the forests is an integral and indivisible part of forest management. Forest protection includes protection against: illegal acquisition and use, illegal wood felling, fires, plant diseases and pests, cattle grazing, acorn collection, illegal collection of other forest products and other damages. In relation to the management of forests, both in state and private ownership, the Assembly of the Republic of Macedonia adopts a general plan for forest management for a period of 20 years. On the basis of this plan, the entities that manage the forests adopt separate forest management plans for a period of 10 years.

INSTITUTIONS

Ministry of Environment and Physical Planning (MEPP), according to the *Law on Organization and Operation of the State Administrative Bodies* (Official Gazette of the Republic of Macedonia No.44/02 and 58/00), is the competent state body with regard to creation and implementation of policies in the area of protection and promotion of the quality and the status of environmental media and areas: air, water, soil, solid waste, biological diversity and other natural resources, as well as ozone layer protection. The MEPP is also a competent state body with regard to the protection from harmful impacts, such as: noise and vibrations, ionising and non-ionising radiation, performance of different activities, pollutants and technologies.

The MEPP is competent state body with regard to the preparation and coordination of the process of environmental legal acts drafting, in which process are involved and consulted the relevant state institutions, considering the inter-disciplinary nature of the environment and the need for an integrated approach.

According to the new national environmental legislation, the MEPP holds full responsibility for its implementation. Namely, the MEPP is the competent state body with regard to the implementation of the environmental impact assessment procedure, assessment of the impact of certain strategies, plans and programmes over the environment, access to environmental information, adoption of strategic

plans in the area of environment, integrated pollution prevention and control, prevention and control of major industrial accidents involving hazardous substances, sustainable development and climate change, protection against desertification, and other global issues related to environment, waste management and air quality, monitoring and reporting on the state of environmental media and areas, management of the environmental information system, nature protection, liability for environmental damage, environmental financing, protection of waters against pollution, etc. The inspection supervision of the law enforcement is carried out by the State Environment Inspectorate, which is a body within the MEPP. Expert matters in the area of environment are carried out by the Service for Environment and the Service for Spatial Information System, both bodies within the MEPP.

According to the current competence of the state administrative bodies determined by the Law on Organization and Operation of the State Administrative Bodies, apart from the MEPP, certain competences in the domain of environment are implemented by other state administrative bodies, presented below.

The State Communal Inspectorate within the **Ministry of Transport and Communications** performs inspection supervision over the implementation of communal affairs. **The Ministry of Interior** performs activities concerning the system of the public security provision, production, trade, storage of and protection from flammable liquids, gases and explosives and other hazardous materials and transport of such materials. **The Ministry of Economy** is the competent body with regard to geological research and exploitation of mineral resources and energy. The State Market Inspectorate (ME_SMI), according to the Law on Market Inspection (Official Gazette of the Republic of Macedonia No.35/97, 23/99, 7/02 and 20/02) and Law on Waste Management (Official Gazette of the Republic of Macedonia No. 68/04 and 71/04), performs supervision over the trade in products and packaging, the manner of products and packaging labelling, implementation of return upon deposit and the manner of public information.

Within the **Ministry of Health**, there are several bodies holding responsibility in several environmental areas, especially in relation to matters concerning the protection of the health of the population, such as: State Sanitary and Health Inspectorate (MH_SSHI), on the basis of the *Law on Sanitary and Health Inspection (Official Gazette of the Republic of Macedonia No.19/95)*, is responsible for implementation of measures for air protection against harmful matters and effects on human health. According to the Law on Ambient Air Quality (*Official Gazette of the Republic of Macedonia No. 67/04*), inspectors of the State Sanitary and Health Inspectorate together with inspectors of the State Environment Inspectorate, participate in inspections in cases of incidents that may lead to increased emissions or deterioration of the ambient air quality, and undertake measures in cases of major industrial or other accidents. The inspectors of the MH_SSHI take part in the procedure for stipulation of measures in cases where direct danger to human life and health is confirmed. In the area of waste, the MH_SSHI, according to the Law on Waste Management (*Official Gazette of the Republic of Macedonia No. 68/04 and 71/04*) performs supervision over the medical waste handling on the spot of such waste generation. In the area of waters, the MH_SSHI, in accordance with the *Law on Sanitary and Health Inspection* and the *Law on Waters (Official Gazette of the Republic of Macedonia No. 4/98, 19/00 and 42/05)*, performs control of waters intended for bathing, sports and recreation, waters used for irrigation and cattle watering and of the quality of drinking water for II and III zones. MH_SSHI in accordance with the Law on Sanitary and Health Inspection and the Law on Harmful Noise Prevention (*Official Gazette of the SRM No. 21/84, 10/90 and Official Gazette of the Republic of Macedonia No.62/93*), is authorized to perform supervision over all sources of noise that may have negative effects on human health and to undertake appropriate measures. The Republic Institute for Health Protection (RIHP) carries out specific measurements of noise levels at certain places in Skopje and Bitola, as two biggest cities in the Republic of Macedonia. The RIHP monitors the air pollution with regard to effects on human health. The Bureau for Drugs, in accordance with the *Law on Trade in Poisons (Official Journal of SFRY No. 13/91)* and the *Law on Poisons Production (Official Journal of SFRY No. 18/76)*, is responsible for carrying out the procedures for poisons handling, as well as for issuance of approvals for putting poisons into circulation. MH_SSHI performs direct inspection supervision over the implementation of these laws, as well as over the implementation of the *Law on Precursors (Official Gazette of the Republic of Macedonia No.37/04)* in the area of poisons. The Bureau for Drugs in its work, is supported by several laboratories and external commissions, including the Commission for Poisons. The Food Directorate, according to the *Law on Foodstuffs Safety and Material and Products in Contact with Foodstuffs (Official Gazette of the Republic of Macedonia No. 54/02)*, performs control over the import of chemicals used for cleaning of technological lines in food processing, or for dish washing in households. The Food Directorate, according to the *Law on Waters, the Rulebook on drinking water safety (Official Gazette of the Republic of Macedonia No.57/04)* and the annual plan for inspection supervision, by its inspectors, performs control over the drinking water supply systems upon indication (in cases of major accidents, positive laboratory findings by the regional Institutes for Health Protection). According to the *Law on Drinking Water Supply and Urban Wastewater Drainage (Official Gazette of the Republic of Macedonia No. 68/04)*, the Food Directorate is responsible for drinking water quality control in the I protection zone.

Hydro-Biological Bureau – Ohrid acts as scientific institution, performing activities related to water monitoring of Ohrid Lake, as well as to preservation and improvement of biological diversity of the Lake. In addition, the Institute is responsible for the monitoring of the waters of Prespa and Dojran Lakes.

The Ministry of Agriculture, Forestry and Water Economy holds responsibility for the management in agriculture, forestry and water economy. In the area of waters, the Water Economy Directorate acts as its constituent body, holding responsibility for the performance of certain administrative and expert matters, related to: monitoring and studying of the condition of waters, maintenance and improvement of the conditions of waters, water use and exploitation, maintenance and improvement of water regime, protection

against harmful effect of waters, development and use of hydro-amelioration systems, development and monitoring of water balances and performance of inspection supervision in the area of water economy. Within the same Ministry, the Hydro Meteorological Directorate (MAFWE_HMD) carries out activities related to water quality monitoring and part of air quality monitoring.

The Protection and Rescue Directorate is a state administrative body competent in the area of protection and rescue. Besides the Protection and Rescue Directorate, other state administrative bodies, bodies of the local self-government units, trade companies, public enterprises, institutions and services, civil associations, humanitarian and non-governmental organizations as well as citizens have responsibilities in the implementation of the Law on Protection and Rescue (*Official Gazette of the Republic of Macedonia No.36/04 and 49/04*).

According to the Law on Local Self-Government (*Official Gazette of the Republic of Macedonia No. 5/02*), **the local self-government units** (LSGU) are competent and responsible for regulation and performance of affairs of public interest of local relevance, specified by law. The Law also specifies the list of exclusive competences of the local self-government units, including environment and nature protection. Taking into account the ongoing process of decentralization, especially with regard to the affairs of public interest of local relevance, high number of competences has been provided for performance on local level. The LSGUs will cover certain aspects of: strategic environmental assessment, local environmental monitoring, access to environmental information, local sustainable development, as well as performance of communal services, drinking water supply, technological water supply, wastewater drainage and treatment, storm waters drainage and treatment, regulation, maintenance and use of riverbeds in urbanized areas, public hygiene, municipal and commercial and other non-hazardous waste management on local level, prevention and control of major industrial accidents involving hazardous matters and substances and undertaking measures for prevention and control of the industrial air pollution. The LSGUs may appoint local environment inspectors to perform inspection supervision over the implementation of the laws.

2. SHORT-TERM PRIORITIES

STRATEGIC DOCUMENTS AND LEGISLATION

The *Environmental Monitoring Strategy* is in a phase of preparation. In the frameworks of CARDS 2005 has been initiated a development of the “*National Strategy for Environmental Legislation Approximation*”. Within this Strategy, for the purpose of implementation of the heavy cost directives, drawing up of investment plans has been envisaged. The adoption of this Strategy and investment plans is expected by the end of the second quarter of 2007.

In the area of chemicals, it has been envisaged to commence the development of a *National Strategy for Sound Chemicals Management*. For this purpose, theses for the Strategy have been developed (2005), outlining the basis and defining further steps in chemicals management.

It has been envisaged to initiate the drafting of a *National Strategy for Sustainable Development with an Action Plan*.

The adoption of the *National Strategy for Forestry Development with an Action Plan* has been envisaged by the end of 2006.

The *Second National Communication on Climate Change* and *Strategy for the Kyoto Protocol Implementation* are under development. There is a plan to initiate development of: a *National Strategy for Protection and Rescue of the Republic of Macedonia, Assessment of threat posed by the occurred natural disasters, epidemics, epizootics, epiphytes and other accidents in the Republic of Macedonia and a Plan for protection and rescue from the occurred natural disasters, epidemics, epizootics, epiphytes and other accidents in the Republic of Macedonia*.

Horizontal legislation: For the purpose of providing for further transposition of the EU acqius, it is planned adoption of amendments to the *Law on Environment*, as well as adoption of the following bylaws:

- Rulebooks to regulate the procedure for conducting environmental impact assessment and contents of the documents required for the EIA, as well as the procedure for environmental impact assessment in a transboundary context for the projects for which it is conducted in the Republic of Macedonia;
- Rulebook on the Contents of the State of Environment Report;
- Decision of the Government of the Republic of Macedonia on the publication of the list of entities that possess environmental information or on whose behalf such information is possessed, as well as the information possessed by each of the listed entities;
- Rulebook on the manner and procedure of providing access to environmental information;
- Rulebook on the manner, procedure and form on which data from the national network is submitted, as well as on the manner and conditions of data delivery to the state administrative body responsible for the affairs of the environment by local, internal and other state administrative bodies' monitoring, and
- Rulebook on the form, contents, methodology, and the manner of managing the Register of pollutants and polluting substances, and Cadastre of polluters.

Amendments to the Law on Protection and Rescue has been envisaged, as well as adoption of part of the bylaws deriving from this Law.

Air: In this period, the following bylaws are planned for adoption:

- Rulebook on the ambient air quality assessment criteria;
- Rulebook on the methodology and manner of preliminary ambient air quality assessment and establishment of lists of zones and agglomerations;
- Guidelines on the establishment of the national methodology for emission inventory in accordance with CORINAIR, and
- Rulebook on limit values for stationary sources of emissions in the air.

Waste: For this period, it is planned the adoption of the *Law Amending the Law on Waste Management*, in order precise statement and establishment of legal grounds for full transposition of the EU Acquis to be achieved. The adoption of the following bylaws is also envisaged:

- *Rulebook on the form and the contents of the journal for keeping records on waste handling, the form and the contents of the forms for waste identification and transport and the form and the contents of the annual report forms on waste handling;*
- *Rulebook on the manner and conditions for operation of the integrated waste removal network;*
- *Rulebook on the form and the contents of the application, the form and the contents of the permit for communal and other types of non-hazardous wastes collection and transportation, as well as on the minimum technical requirements for performing the activity of communal and other types of non-hazardous wastes collection and transportation;*
- *Rulebook on the form and the contents of the application for a permit for waste processing, treatment and/or storage, the form and the contents of the permit, as well as the technical requirements for the activity performance;*
- *Rulebook on the manner and conditions for waste storage, as well as on the conditions to be met by the sites on which waste storage is performed;*
- *Rulebook on the minimum technical requirements in terms of environmental protection to be met by the waste transfer stations, requirements to be met by the sites where waste transfer stations are built or placed, as well as on the terms for waste storage in the waste transfer stations according to the waste types;*
- *Rulebook on hazardous waste handling;*
- *Rulebook on waste oils handling;*
- *Rulebook on the manner and conditions for handling with polychlorinated bipheniles and polychlorinated terpheniles, the conditions which must be met by the PCBs' disposal and decontamination installations and objects, used PCBs and the manner of labelling the equipment that contains PCBs;*
- *Rulebook on the form and the contents of the application for landfills establishment;*
- *Rulebook on the form and the contents of the application for obtaining a permit, as well as the form and the contents of the permit for landfill operator;*
- *Rulebook on the criteria and procedures for acceptance of waste in landfills of all classes, the quantity of biodegradable components in the waste that may be allowed for disposal, preparatory procedures for waste acceptance, general testing and sampling procedures;*
- *Rulebook on the manner and procedure for the operation, monitoring and control of the landfill in the closing phase and further care for the landfill after the closure, and*
- *Rulebook on the types of wastes that are subject to import, export or transit permit, conditions for import, export or transit of waste, methods for supervision over the import, export or transit of waste.*

Waters: During this period it is planned the adoption of the *new Law on Waters*, fully harmonized with the EU law, as well as bylaws deriving from it.

Nature: For this period, development and adoption of the following has been envisaged:

- *Decree on trade in wild species*, in which the requirements of the EU measure 31997R0338 will be fully transposed, thus enabling full implementation of the CITES;
- Decree on the establishment of environmental networks and areas of international importance, and
- Rulebook on determination and protection of types of habitats.

Industrial pollution: For this period it is planned the adoption of the remaining bylaws concerning the issuance of integrated environmental permits and compliance permits with an operational plan, including:

- *Rulebook on the conditions to be met by the members of the Commission for the Best Available Techniques* (the members of the Commission will draft reference documents for those sectors that are of national interest);
- Decree on the amount of the compensation to be paid by operators of A installations and on the criteria and the manner of determining and calculating the compensation for B installations, and
- Rulebook on the contents of internal and external plans for state of emergency, as well as the manner of their approval.

Genetically modified organisms: The finalization and adoption of the Law on GMO has been scheduled for the fourth quarter of 2007.

Chemicals: In the area of chemicals it is planned finalization of the activities under the regional project with the Swedish Government, aimed at the establishment of a system for sound chemicals management. The project will incorporate a component for *Law on Chemicals* and *Strategy* development, by which the Republic of Macedonia will be prepared for the implementation of the new REACH system for chemicals management.

Noise: Adoption of a Law on Noise in the Environment by the end of 2006 and development of part of the bylaws for noise control through emission standards and planning standards.

INSTITUTIONS

The administrative organizational structure of the **Ministry of Environment and Physical Planning**, according to the current Rulebook on the systematization of jobs in the MEPP, is not strictly determined by individual environmental sectors/areas. Namely, it has been organized in a form of grouping of activities and tasks by their similarity and relation, type, scope and extent of complexity, responsibility, required expertise and other conditions for their performance. In accordance with the MEPPs new obligations derived from the approximated legislation, and with a purpose of defining and efficient conducting of its new competencies and responsibilities deriving from the process of the European integration, as well defining the transformations' terms and financial implications, in 2004 a Functional Analysis and a Plan for Institutional Development of MEPP was prepared. On the basis of these documents, according to the European Partnership 2005 Action Plan, a new systematization is envisaged to be developed in the second quarter of 2006, by which a reorganization of the MEPP will be carried out.

The following bodies within the MEPP have been envisaged: State Environment Inspectorate, Service for Spatial Information System and Directorate for Environment, which according to the Law on Environment will be established through reorganization of the Service for Environment. The Directorate for Environment will be an expert and implementing body within the Ministry, will perform administrative and expert technical activities in the area of environment and will implement the policy of the MEPP. The Directorate for Environment will have the following competences: expert activities in nature protection, expert activities in the management of waste, air, chemicals, noise and other environmental areas, expert activities in the domain of water and soil protection against pollution, expert activities within the procedure for certain projects environmental impact assessment and procedure for issuing integrated environmental permits and issuing of compliance permits with an operational plan, management of the environmental cadastre and Register of pollutants and polluting substances and their characteristics, environmental monitoring and other areas in accordance with the law.

The State Environment Inspectorate is competent for supervision over the implementation of the environmental legislation. Within the Inspectorate, new state inspectors have been envisaged in nature protection, in accordance with the Law on Nature Protection. Staffing and technical strengthening of inspection services and carrying out of specialized training of inspectors on national and local levels have been planned.

Within the MEPP in the area of climate, there are plans to establish a separate unit on climate change, as well as to provide conditions for establishment of a Designated National Authority (DNA) to approve projects on national level, by which it will be involved in the whole process of the Clean Development Mechanism (CDM). Such body assumes proper staffing through new employments and specific trainings.

The Secretariat of European Affairs, in cooperation with the MEPP, is competent for concluding Memorandum of Understanding with the Environment Directorate General of the European Commission for the LIFE Programme. The MEPP will be the national focal point with regard to evaluation and application submission to the Commission.

Institutional strengthening of the **Protection and Rescue Directorate** has been planned.

The Draft Law on Waters contains a provision for establishment of **Water Directorate** as a new institution responsible for water management and protection, in order to achieve integrated approach in water use, as well as establishment of a National Council for waters as an advisory body in the determination of the waters policy.

According to the Law on Nature Protection, under the leadership of the Government of the Republic of Macedonia, the reorganization of the current Organizations of Associated Labour – National Parks into public institutions, which has started in 2005, is in its final phase.

3. MEDIUM-TERM PRIORITIES

STRATEGIC DOCUMENTS AND LEGISLATION

During this period, the adoption of the following strategic documents is envisaged:

1. *National Strategy for Sustainable Development with an Action Plan;*
2. *Second National Communication on Climate Change with an Action Plan on measures and activities for prevention of causes and mitigation of negative effects from climate change;*

3. *Strategy for the Kyoto Protocol Implementation;*
4. *National Strategy for Sound Chemicals Management;*
5. *National Strategy for Waters;*
6. *National Strategy for Waste Management;*
7. *Water Master Plan of the Republic of Macedonia, and*
8. *National Strategy for Nature Protection.*

Horizontal legislation: In this area, adoption of bylaws based on the Law on Environment has been envisaged, to regulate the strategic environmental assessment procedure, liability for environmental damage and climate change, including:

- Rulebook on the manner and procedure for collection, processing, systematization, keeping, usage, distribution and presentation of data and information obtained from the national monitoring network, local monitoring network, internal monitoring, as well as data from the Cadastre of polluters and Register of pollutants and polluting substances;
- Decree on the strategies, plans and programmes, including amendments to such strategies, plans and programmes (planning documents), for which the procedure for assessment of their impact on the environment and on human life and health is compulsory, as well as on the criteria on the basis of which decision is made on the performance of strategic assessment of other strategies, plans and programmes that may have significant impact on the environment and on human life and health;
- Decree on the contents of the strategic environmental assessment report;
- Rulebook on the manner of disclosure of information and public participation in the SEA procedure (prior to the commencement of a public participation procedure in the procedure for adoption of planning documents and in the drawing up of the report, as well as on the manner of conducting consultations in case of assessment of transboundary impacts of the planning document);
- Rulebook on determining professional activities the performance of which may result in liability for environmental damage;
- Rulebook on the measures for remediation of the caused environmental damage;
- Rulebook on the methodology for the detailed contents and the manner of drawing up the National Communication for Climate Change Mitigation;
- Rulebook on the conditions, manner and procedure for drawing up the National Inventory of anthropogenous emissions by sources and percolating of greenhouse gases, and
- Rulebook on laying down the schemes of greenhouse gas emission trading.

It is planned to be adopted the remaining bylaws which derive from the amendments to the Law on Protection and Rescue.

Air: Amendments to the Law on Ambient Air Quality have been planned, as well as *Ratification of the Protocols to the Convention on Long-range Transboundary Air Pollution. The adoption of the following bylaws is planned as well:*

- Rulebook on ambient air quality monitoring and reporting;
- Rulebook on the form and contents of the national plan for ambient air protection;
- Rulebook on methodology for annual emission limits in the air, and
- Rulebook on emission limit values for mobile sources.

Waste: The following bylaws are planned to be adopted:

- Rulebook on the management of used batteries and accumulators, the manner of labelling and public information;
- Rulebook on the manner of package labelling, type, contents and handling with labels;
- Rulebook on the form and contents of the license for return reception of used packages;
- Rulebook on handling packaging and packaging waste;
- Rulebooks on the special conditions and manner of end-of-life motor vehicles handling;
- Rulebooks on electric and electronic devices handling;
- Rulebooks on handling waste from titanium dioxide, as well as the form, contents and manner of submitting data;
- Rulebook on the minimum technical conditions which must be met by incineration/co-incineration installations for waste, type of waste for incineration/co-incineration, conditions for protection of the environment from the work of the incineration/co-incineration installations for waste, as well as the conditions for the manner of installations' work, and
- Rulebook on the form and contents of the application for receiving a licence, as well as the form and contents of the licence for an operator of an incineration/co-incineration installation for waste.

Waters: The proposed Law on Waters provides for adoption of large number of bylaws, the most important of which are the following:

- List of pollutants and polluting substances, priority matters and substances, conditions for installation and operation of plants operating with hazardous matters and substances, and the manner of their testing prior to their putting into operation;

- Rulebook on the special conditions for indirect discharge of wastewater into ground waters and measures and activities that should be undertaken for their protection;
- Rulebook on the conditions, manner and emission limit values for wastewater discharges after its treatment, taking into account the special requirements for protective zones protection, and
- Rulebook on detailed conditions for urban wastewater collection, drainage and treatment, the manner and conditions for designing, construction and exploitation of urban wastewater treatment systems and plants, as well as technical standards, parameters, emission standards and norms on the quality of pre-treatment, removal and treatment of wastewater, taking into account the load and the method of urban wastewater treatment that are discharged in zones sensitive to urban wastewater discharges.

Nature: In this period, adoption of several bylaws has been envisaged, among which the *Red Book and Red List of Wild Species* is of key relevance.

Industrial pollution: In this period it is envisaged *separate rulebooks on setting the criteria for eco-labelling* to be adopted.

Genetically modified organisms: In this period is planned to be adopted the relevant bylaws, regulating the following issues: criteria for limited use of GMO; compulsory management and other conditions related to GMO import and export; scope of risk assessment in relation to limited use and deliberate releases of GMO in the environment; methodology, elements and scope of risk assessment in product release for trade; labelling and packaging of products; contents and scope of the monitoring programme; form, contents, methodology and manner of keeping a register, as well as the level of costs for data provision.

Chemicals: In this period it is planned to be adopted the priority bylaws in accordance with the Law on Chemicals.

Noise: The following bylaws are planned to be adopted in this period, in accordance with the Law on Noise in the Environment:

- Rulebook on the manner of drafting and the contents of the strategic noise maps;
- Rulebook on the manner of drafting and the contents of the action plans for noise in the environment;
- Rulebook on the manner of disclosing information and public participation and the manner of preparing the report on the basis of the opinions gathered through the conducted public discussion;
- Rulebook on the conditions for protection against noise in the environment caused by road, railway, air and water transport;
- Rulebook on the conditions to be met by plants, equipment, installations and devices used outdoors with regard to the emitted noise in the environment;
- Rulebook on the conditions to be met by household devices, means and appliances with regard to the emitted noise in the environment and places of residence, and
- Rulebook on technical measures and conditions to be met by buildings with regard to their acoustic protection against noise in the environment caused in the neighbourhood.

INSTITUTIONAL FRAMEWORK

In this period, the key activity will focus on strengthening of the **Ministry of Environment and Physical Planning** through additional employments of specialized staff, as well as through trainings in legislation implementation. In this context, the following is of particular importance:

- Strengthening of the Directorate for Environment, by provision of funds from the Budget for the new required employments, especially for engaging expert staff of narrow specialization, and its further training;
- Strengthening of the State Environment Inspectorate by employment of inspectors and inspectors for nature protection and carrying out specific trainings of the inspectors, especially in the area of supervision over the issued compliance permits with an operational plan, and
- Strengthening of the **local self-government units** by new employments and trainings in the area of environmental management on local level.

The new Law on Chemicals should establish a clear division of competences in the domain of chemicals management. The new Law, among other things, will define the competence regarding the chemical management (including the reporting to the competent body on EU level in accordance with the EU legislation).

In the area of protection and rescue the following activities will be carried out: institutional strengthening in order to establish an integrated system of protection and rescue for the purposes of full implementation of the measures for protection and rescue specified in the legislation; transformation of the civil protection forces and equipment and modernization of the system for protection and rescue; planning, organization and participation in the collective systems for protection and rescue, both global and regional, and delegation of part of the competences from higher to lower level organizational units and to the local self-government.

4. INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget Number	Institution	2006	2007	2008	2009	2010	Total
05003	Protection and Rescue Directorate	0	0	0	0	0	0
05003 Total		0	0	0	0	0	0
12101	Ministry of Environment and Physical Planning	0	47	46	35	22	150
12101 Total		0	47	46	35	22	150
14001	New: Water Directorate	0	15	15	0	0	30
14001 Total		0	15	15	0	0	30
Total		0	62	61	35	22	180

5. FOREIGN ASSISTANCE

- CARDS 2003 "Improvement of transboundary water resources management" for 2006/II – 2007, total of EUR 1.000.000,00;
- CARDS 2004 "Strengthening of environmental management" (2005-2007), technical assistance and support to MEPP and other state administrative bodies in the process of the environmental legislation harmonization and institutional capacity strengthening in terms of environmental management, especially in the domain of IPPC, EIA, air monitoring, environmental information system, strengthening the laboratory within the MEPP, creation of policies, strategies, economic instruments and geographic information system – EUR 1.900.000,00;
- Part of CARDS 2005 focuses on the development of the "National Strategy for Environmental Legislation Approximation" (2006-2007). Within the project, plans for implementation of certain (key) directives in this sector will be prepared - EUR 1.250.000, 00. CARDS 2005 has also envisaged a Twinning Project in the area of air. (2006/IV-2007/IV) - EUR 650.000,00;
- Definition of activities and commencement of CARDS 2006 is expected by the end of 2006 - around EUR 1.000.000,00;
- CARDS Regional Programme 2003 "Continuation of the cooperation of the 5 Balkan countries with the European Environmental Agency" – technical assistance and support – EUR 2.000.000,00;
- Lake Ohrid Conservation Project – donor: World Bank;
- Integrated Prespa Park Management – GEF – USD 4.130.000,00 (funds allocated to Albania and Macedonia), and KfW Bank acts as co-financier for the Prespa Park, with EUR 1.500.000,00 intended to the National Park Galicica;
- Programme for Waters – multi-annual programme financed by the Swiss Government in an amount of CHF 20.000.000,00, consisting of components for Ohrid Lake and wastewater treatment plants in the area of Berovo;
- In the area of chemicals, inclusion in the regional project of the Swedish Government has been envisaged, aimed at establishing a system for sound chemicals management, which should consist of two components - development of a Law on Chemicals and Strategy to prepare the Republic of Macedonia for the implementation of the new REACH system for chemicals management;
- In the area of genetically modified organisms, inclusion in a new UNEP/GEF project has been envisaged - Strengthening of the capacity for effective participation in the Clearing House for biosafety;
- The development of the Second National Communication on Climate Change, with financial support from GEF/UNDP – USD 450.000,00, is underway;
- In cooperation with UNDP and REC, activities are carried out for the purpose of strengthening the capacities for Clean Development Mechanism implementation (Kyoto Protocol). The Project will also support the development of a Strategy for Kyoto Protocol Implementation, as well as activities aimed at strengthening the communication and awareness of the relevant stakeholders, with an accent on the business sector;
- The MEPP and the Ministry of Environment and Territory of the Republic of Italy - cooperation in the field of the Kyoto Protocol implementation, through joint implementation of projects under the Kyoto Clean Development Mechanism.

3.28 CONSUMER AND HEALTH PROTECTION

1. CURRENT SITUATION

a) LEGAL FRAMEWORK

Consumer Protection

The area of consumer protection is regulated by the Law on Consumer Protection, adopted on June 11, 2004 (Official Gazette of the Republic of Macedonia No. 38/04). The Law is harmonised with the EU legislation in this area.

The **Law on Consumer Protection** (Article 39) was the basis for the adoption of a Rulebook on Properties of Children Toys Put Into Circulation (Official Gazette of the Republic of Macedonia No. 90/04), harmonised with the Directive 31988L0378R(04) approximating the laws of the Member States in relation to safety of toys.

Pursuant to Article 123 of the Law on Consumer Protection, the Government of the Republic of Macedonia adopted a Decision on Appointment of Members to the Consumer Protection Council (Official Gazette of the Republic of Macedonia No. 11/05).

The Law on Consumer Protection is the basic law in the field of consumer protection, but due to the multidisciplinary nature of the field, certain segments are regulated with other laws.

The Law on Tourism (Official Gazette of the Republic of Macedonia No.62/04) is entirely harmonized with the Directive 31990L0314 and foresees the liability of the travel agency in organising package arrangements, liability and obligation to enter into agreements with the users of such package arrangements, as well as an obligation to ensure the realization of the package arrangements, while the organizer of the travel shall ensure the same with an insurance policy issued by an eligible insurance institution.

The Law on Catering Industry ("Official Gazette of the Republic of Macedonia No.62/04) regulates the terms and conditions of carrying out catering activities.

The Law on State Market Inspection regulates the competencies, authorizations and organization of the State Market Inspectorate. As regards the consumer protection, the State Market Inspectorate implements a number of other regulations in accordance with its competencies defined in Chapter 01.

For the time being, there is no legal framework in the Republic of Macedonia regulating **mediation**. A working group has been set up to work on the development of the text of the Law on Mediation, enabling an improved access to justice, reduction of the number of unresolved court cases, quick and efficient alternative dispute resolution, as well as cost-effectiveness and shortening of procedures.

Presently, there is no legal framework protecting the users of **financial services**. The Law on Consumer Protection regulates certain issues related to financial services, such as advertising, dishonest agreements, etc.

The Law on Obligations (Official Gazette of the Republic of Macedonia No.18/01, 4/02 and 5/03) partially regulates certain aspects on protection of the consumer credits beneficiaries.

The Law on Sanitary and Health Inspection (Official Gazette of the Republic of Macedonia No. 19/95) regulates the competencies, authorizations and organization of the State Sanitary and Health Inspectorate, as a body within the Ministry of Health conducting, via the state sanitary and health inspectors, supervision of the implementation of the laws and regulations in the field of sanitary, hygienic, epidemiologic and health protection of the population.

A new Law on Sanitary and Health Inspection is to be adopted precisely defining and enlisting the competencies of this inspection, preventing possible overlapping with competences of other institutions.

In a broader sense, the consumer protection is also regulated in:

the Law on Safety of Food and Products and Materials in Contact with Food (Official Gazette of the Republic of Macedonia No. 54/02), the Law on Plant Health (Official Gazette of the Republic of Macedonia No. 29/05) and the Law on Veterinary Health (Official Gazette of the Republic of Macedonia No. 28/98 - all in Chapter 12), Law on Environment (Official Gazette of the Republic of Macedonia No. 53/05 and 81/05 - Chapter 27), Law on Broadcasting Activity of 9 November 2005 – Chapter 10, Law on Medicinal Drugs, Supplementary Treatment Substances and Medical Devices (Official Gazette of the Republic of Macedonia No. 21/98 – Chapter 01).

The area of public health is regulated with the Law on Health Protection (Official Gazette of the Republic of Macedonia No. 38/91, 46/93, 55/95, 10/04 and 84/05), defining the citizens' rights on health protection, the relations and rights emerging from the health insurance, the usage of health protection and the system and organization of the health protection, as well as in the Law on Health

Insurance (Official Gazette of the Republic of Macedonia No. 25/00, 34/00, 96/00, 50/01, 11/02, 31/03), which regulates the health insurance of the citizens, relations and rights emerging from the health insurance, as well as the rules of insurance implementation. The different areas of public health are regulated separately, as follows:

Tobacco

The protection of health against harmful consequences caused by smoking is regulated in: the Law on Health Protection (Official Gazette of the Republic of Macedonia No. 38/91, 46/93, 55/95, 10/04, 84/05, 111/05), Law on Protection against Smoking and other bylaws.

The tobacco control measures in the Republic of Macedonia aim at environmental protection, ban smoking in selected public areas and regulate labelling and advertisement of tobacco products.

Communicable diseases

The epidemiology surveillance and control of communicable diseases is regulated with the following legal acts: Law on Health Protection (Official Gazette of the Republic of Macedonia No. 38/91, 46/93, 55/95, 10/04, 84/05), Law on Protection of the Population from Communicable Diseases (Official Gazette of the Republic of Macedonia No. 66/04), Law on Sanitary and Health Inspection (Official Gazette of the Republic of Macedonia No. 19/95), Law on Keeping Healthcare Records (Official Gazette of the Socialist Federal Republic of Yugoslavia No. 22/78, 18/88 and Official Gazette of the Republic of Macedonia No. 15/95) and several rulebooks and Programmes.

The Law on Protection of the Population from Communicable Diseases defines the measures for prevention of the phenomenon, early warning, control of communicable diseases and infections spreading, rights and obligations of the health facilities, legal entities and natural persons, as well as surveillance over the implementing measures, for the purposes of protecting the population from communicable diseases.

Safety of blood, human tissues and cells

The safety of blood is regulated with the following legal acts: Law on Health Protection (Official Gazette of the Republic of Macedonia No. 38/91, 46/93, 55/95, 10/04 and 84/05), defining the State Institute of Transfusion medicine as an independent, specialized institution for transfusion and its other activities; the Law on Keeping Healthcare Records (Official Gazette of the Socialist Federal Republic of Yugoslavia No. 22/78 and 18/88 and Official Gazette of the Republic of Macedonia No. 15/95) defining the data to be recorded when communicable diseases are reported, data on voluntary blood donors, quantity of donated blood, and quantity of blood components obtained by blood processing; the Law on Medicinal Drugs, Supplementary Treatment Substances and Medical Devices (Official Gazette of the Republic of Macedonia No. 21/98), which defines the blood components (derivatives) as medicines and foresees regulation of human blood, blood plasma and blood cells in a separate law; the Law on Protection of the Population from Communicable Diseases (Official Gazette of the Republic of Macedonia No. 66/04) that regulates the mandatory reporting of HIV infections, mandatory examination of blood donors and donors of tissue and organs for existence of syphilis, viruses of B and C hepatitis, HIV infection and other diseases transmitted through human materials; the Law on Conditions for Explanation, Exchange, Transfer and Transplantation of Parts of Human Body for Medical Treatment (Official Gazette of the Republic of Macedonia No. 30/95), Rulebook on Putting in Circulation Human Blood, Human Blood Ingredients and Derivatives, which defines the closer conditions for selection of blood donors, the individual blood components and products, required testing of donated blood, etc.; Rulebook on the Closer Conditions Related to Premises, Equipment and Staff Required for Provision of Blood and Blood components; and other bylaws.

Addictions

The bases of the **prevention of addictions** are determined in the following legal regulations: the Law on Health Protection (Official Gazette of the Republic of Macedonia No. 38/91, 46/93, 55/95, 10/04 and 84/05), Law on Health Insurance (Official Gazette of the Republic of Macedonia No. 25/00,34/00, 96/00, 50/01, 11/02 and 31/03), Law on Keeping Healthcare Records (Official Gazette of the Socialist Federal Republic Yugoslavia No. 22/78,18/88 and 15/95) and the Law on Keeping Healthcare Records (Official Gazette of the Republic of Macedonia No. 37/79 and 15/95), which impose an obligation on the health organizations to keep records and report of certain diseases, alcoholism and other addictions, as well as of abusers of hallucinogenic drugs.

Non-Communicable Diseases

The legal framework in the field of **non-communicable diseases** consists of:

the Law on Health Protection (Official Gazette of the Republic of Macedonia No. 38/91, 46/93, 55/95, 10/04, 84/05 and 111/05), Law on Health Insurance (Official Gazette of the Republic of Macedonia No. 25/00,34/00, 96/00, 50/01, 11/02 and 31/03), Law on Keeping Healthcare Records (Official Gazette of the Socialist Federal Republic of Yugoslavia No. 22/78, 18/88 and 15/95) and the Law on Keeping Healthcare Records (Official Gazette of the Republic of Macedonia No. 37/79 and 15/95), with the latter regulating the duties of the health organizations to keep records and report of chronic non-communicable diseases. The Law on Health Protection includes the exercise of guaranteed rights and the determined needs and interests of society through the undertaking of defined measures and activities (Programmes) for ensuring the health protection from certain diseases among specific population groups.

In 2005, the Programme for Early Detection and Prevention of Diseases of Women's Reproductive Organs was adopted for the first time in the Republic of Macedonia and is currently being implemented.

b) STRATEGIC DOCUMENTS

Consumer Protection

The Government of the Republic of Macedonia adopted the **Consumer Protection Programme** (Official Gazette of the Republic of Macedonia No. 28/2005). The Programme defines the Consumer Protection Policy, the measures and activities necessary for proper implementation of consumer protection, counselling, education and informing consumers, and funds for realization of the Programme.

Public Health

The main strategic directions in the health sector are defined with:

- The 2005 – 2010 National Strategy on Tobacco Control for Ensuring and Promotion of the Public Health Protection, adopted by the Government of the Republic of Macedonia in June 2005;
- The National Action Plan before and during influenza pandemics with a particular focus on bird flu, adopted by the Government of the Republic of Macedonia in October 2005;
- The National Programme for Suppression of Drug Abuse and Illicit Trafficking in Drugs (Official Gazette of the Republic of Macedonia No. 35/96);
- The 2003 – 2006 National HIV/AIDS Strategy, referring to six priority areas: prevention of the HIV/AIDS expansion among interest groups, improvement of the access to counselling and testing services, improvement of the national systems for epidemiologic and behavioural monitoring, improvement of the provision of care and support for people living with HIV/AIDS, prevention of HIV transmission in the health organizations and strengthening the capacity and coordination as part of the national response to HIV/AIDS;
- The 2005 – 2012 National Strategy for Mental Health Promotion in the Republic of Macedonia, adopted by the Government of the Republic of Macedonia in November 2005, which envisages decentralization of hospitals and re-socialization and introduction of a mental health system in the community for patients with mental health problems.

c) INSTITUTIONAL FRAMEWORK

Consumer Protection

The consumer protection in the Republic of Macedonia is institutionalized through several state administrative bodies and the public sector, which have direct and/or indirect competencies in this area, as defined in the Law on Consumer Protection and in other laws and regulations, as follows:

- Government of the Republic of Macedonia – creates the consumption policy,, adopts the Consumer Protection Programme;
- Consumer Protection Council within the Government of the Republic of Macedonia (12 members) – proposes measures and activities, monitors the implementation of the Consumer Protection Programme, conducts market assessment, etc.;
- Consumer protection councils at the level of the units of local self-government –ensuring the consumer protection at local level;
- Ministry of Economy – Consumer Protection Unit – drafting and proposing the Consumer Protection Programme, implements measures and activities related to the consumption policy and harmonises the legal regulations with the needs of the consumers;
- State Market Inspectorate, as part of the Ministry of Economy, ensures the enforcement of the Law on Consumer Protection, evaluates the quality of products and services, protects the economic interests of the consumers;
- Ministry of Finance;
- Ministry of Justice;
- Courts with competency in consumption-related litigations;
- NGO Consumers Organisation of Macedonia – the Law on Consumer Protection creates a possibility for NGOs inclusion in the process of consumer policy creation, information dissemination, education and advising the citizens-consumers.

Public Health

The key institutions in the area of public health are:

- Ministry of Health – drafting and implementation of the laws and bylaws, Programmes, etc.;
- The State Sanitary and Health Inspectorate – supervision of the implementation of measures for prevention and suppression of communicable diseases, keeping healthcare records, etc;
- The Republic Institute for Health Protection – Skopje and 10 Regional offices for health protection;
- The State Institute of Transfusion medicine– competency regarding the safety of blood and standards of the quality and safety in the collection, testing, processing, storage and distributing human blood;

- Psychiatric hospitals, general hospitals – neuropsychiatry wards, units for prevention and treatment of drug abusers, mental health centres, the Clinical Centre in Skopje, etc.

2. SHORT-TERM PRIORITIES

a) LEGAL FRAMEWORK

Consumer Protection

- Realization of the activities set in the Consumer Protection Programme 2005 – 2006 and adoption of a Consumer Protection Programme 2007 – 2008.
- Harmonization of the national legislation with EU one in relation with the Consumer Protection cases of using financial services and complete harmonization with the following EU measures: the Directive 31987L0102 amended with Directives 31990L0088 and 31998L0007 and the Council Recommendation 32001H0193 on pre-contractual information to be given to consumers by lenders offering home loans. For that purpose, legal acts will be adopted by the end of 2006 regulating: 1. rights and protective measures for the interests of consumer credit and home loans users; 2. lenders other than banks and savings houses; 3. credit intermediaries; and 4. effective interest rates.
- Law on Mediation regulating the rules of the mediation procedure, principles, number and appointment of mediators, initiation and implementation of mediation, completion of the procedure, agreement between the parties, costs of the procedure and competencies of the Chamber of Mediators is projected to be adopted in the last quarter of 2006. The Law on Mediation will be the basic law to regulate the alternative dispute settlement and, due to its multidisciplinary nature, certain areas of the mediation will be regulated in other laws. This Law will be harmonized with: the Commission Recommendation **31998H0257**, Commission Recommendation **32001H0310**, Recommendation II (99)19 of the Council of Europe of the Committee of Ministers to the Members States on mediation in criminal law cases, UNCITRAL Model, and the Resolution 35/52 adopted by the General Assembly on 4 December 1980 and 35/53 Rules on reconciliation of the UN Committee on International Trade Law.

Furthermore, the safety of consumers will be regulated by:

- The Law on Product Safety, adopted by the Government of the Republic of Macedonia and proceeded to the Assembly of the Republic of Macedonia, harmonised with the Directive 32001L0095 on General Product Safety of (Chapter 01);
- Rulebooks emerging from the Law on Sanitary and Health Inspection;
- Bylaws to be adopted on the basis of the new Law on State Market Inspectorate.

Public Health

Tobacco

In terms of harmonization of the legislation on health warning, ingredients, number of cigarettes per package, and the minimum requested years for purchasing tobacco under the European legislation, the complete harmonization with the Directive 32001L0037 is conducted with the Law on Production and Sale of Tobacco.

Communicable diseases

Pursuant to the Law on Protection of the Population from Communicable Diseases (Official Gazette of the Republic of Macedonia No. 66/04), the following Rulebooks will be adopted:

- Rulebook on the Conditions and Manner of Performing Disinfection, Disinsection and Diratisation, which will lay down the conditions regarding equipment, space and staff required to carry out the activity;
- Rulebook on the Conditions and Manner of Conveying Deceased persons and Exhumation and conveying Deceased persons, which will regulate the procedure for exhumation and conveying the deceased persons;
- Rulebook on Health Checks of persons who recovered from intestinal typhus, dysentery bacilli or salmonella, which will define the procedure for monitoring persons who recovered from the mentioned illnesses.
- Rulebook on the Manner of Reporting Communicable Diseases, which will postulate the manner of reporting diseases that are obligatorily reported of, define the obligations of the health workers, and prescribe the form for reporting the diseases. This Rulebook will incorporate the EU measures 32000D0096 and 32003D0542.
- Rulebook on protection measures against spreading of communicable diseases in the healthcare organizations themselves, which will regulate the organization of the operation of the health organizations themselves, to prevent the spreading of nausecomial infections.
- Rulebook on the Conditions and Manner of Conducting Mandatory Immunization, Seroprophylaxis and Chemoprophylaxis against communicable diseases and persons obliged to be Immunized, which will define the immunization schedule, individuals obliged to be immunized and vaccines to be used in the process.
- Guidelines on Defining Cases of Communicable Diseases (case definition), completely incorporating the recommendations of the World Health Organization and the EU measures 32002D0253 and 32003D0534.

Non-communicable diseases

A Law on Mental Health will be adopted by mid 2006, ensuring the exercise of rights of persons with mental health problems.

A National Action Plan for Prevention and Early Detection of Breast Cancer is projected for last quarter of 2006.

Safety of blood, human tissues and cells

A Law on Provision of Blood and Blood components to be adopted by the end of 2006, ensuring the implementation of the EU measures 32002L00098, 32004L0033, and 32004L0098.

National Policy on Provision of Quality and Safe Blood and Its Rational Use.

Addiction Diseases

Development of a National Drugs Strategy including a multi-sector approach in the prevention of abuse of drugs and treatment of addicted individuals.

A National Strategy for Prevention of Problems Caused by Alcohol Abuse will be adopted by the middle of 2006.

b) INSTITUTIONAL FRAMEWORK

Consumer Protection

The following institutions need institutional strengthening:

ME - Unit for Consumer Protection needs to employ additional 2 persons with higher education in 2006 and one individual in 2007;

MF – Sector for Financial System, Unit for Banking System– 2 employees with higher education;

SSHI – the regional units need to employ at least one inspector in cities where SSHI is not represented. The plan foresees employment of 10 new individuals between 2006 and 2010, accordingly. Training for the new employees will be needed (continuous expert training and training in computer skills), as well as at least a training per year for each employee in the area of epidemiology, hygiene, legal procedures and implications of controls.

Public Health

Addiction Diseases

The institutional strengthening related to addiction diseases is explained in detail in Chapter 24.

Non-communicable diseases

A set up of a new institution – a Mental Health Centre – in Skopje, by transforming the existing Psychiatric Hospital is projected. The establishment of the Centre will help achieve de-institutionalization and re-socialization of individuals with mental health problems. The Mental Health Centre will be set up as a Public Health Institutions that will accommodate patients on a regional principle. The existing human resources will be used to form the Centre. Additional training will be called for in the field of working with people with mental health problems, with a focus on their inclusion in the local community.

New employments are planned in the Sector for Secondary Health Care within the Ministry of Health.

3. MID-TERM PRIORITIES

a) LEGAL FRAMEWORK

Consumer protection

- Amendments to the Law on Consumer Protection, with the purpose of transposing the new EU measures in the field of consumer protection;
- Harmonization with the Directive 32002L0065 regarding distance marketing of consumer financial services will be accomplished by adoption of a legal act for distance financial services, but the **provisions will only enter into force after the accession to the EU or successively**, depending on the level of liberalization of the capital transfers and financial services and the creation of technical conditions (primarily safety systems) for the realization of such sales;
- Adoption of bylaws emerging from the Law on Mediation is projected for the first quarter of 2007, while amendments to the Law on Mediation are envisaged for the first quarter of 2008, improving the legal framework for mediation in the Republic of Macedonia and the implementation the EU principles in the given area.

Public Health

- Enactment of the Law on Provision of Blood and Blood components and bylaws, completing the process of harmonization of the national legislation with the EU one;
- Adoption of the Law on Mental Health, continuous implementation of the Procedure for Early Detection and Prevention of Diseases of Reproductive Organs; commencement of the implementation of the National Action Plan for Prevention and Early Detection of Breast Cancer and the National Strategy for Improvement of the Mental Health in the Republic of Macedonia 2005 – 2012.

- Adoption of a new Law on Drugs and Psychotropic Substances, fully harmonized with the UN Convention against Illicit Trade in Narcotic Drugs and Psychotropic substances and the EU measure 32000R1673.
- Implementation of the OECD Manual on National Health Account.

b) INSTITUTIONAL FRAMEWORK

Consumer protection

The following institutions need capacity strengthening:

ME – Unit for Consumer Protection, through employment of one new employee in 2008;

MF – capacity strengthening of the existing departments, particularly those in charge of implementing the Regulation (the Supervision Directorate of the National Bank of the Republic of Macedonia, the Foreign Currency Inspectorate of the Ministry of Finance).

SSHI –electronic networking and establishing a data base is necessary for the functioning of a central register of facilities subject to sanitary, hygienic, and health supervision, as well as software for the needs of the State Sanitary and Health Inspectorate.

Public Health

Non-communicable diseases

Institutional set up of 3 new Mental Health Centres with access to other regions in the country is foreseen to be formed from the other psychiatric hospitals in the country and the psychiatric wards of the general hospitals. The establishment of the centres will help achieve de-institutionalization and re-socialization of individuals with mental health problems. For the capacity purposes of the centres, 8 psychologists and 8 operational therapists need to be employed.

4. INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget Ref. No.	Institution	2006	2007	2008	2009	2010	Total
09001	Ministry of Finance – Sector for Financial System– Unit for Banking System	2	1	0	0	0	3
09001 Total		2	1	0	0	0	3
10001	Ministry of Economy (ME) – Sector for World Trade Organization and Trade– Unit for Consumer Protection	2	1	1	0	0	4
	Ministry of Economy, Sector for Tourism and Catering	2	1	0	0	0	3
10001 Total		4	2	1	0	0	7
19001	Ministry of Health – State Sanitary and Health Inspectorate	2	2	2	2	2	10
	Ministry of Health – Sector for Primary and Preventive Health Protection	1	0	0	0	0	1
	Ministry of Health – Sector for Secondary Health Protection	1	16	0	0	0	17
19001 Total		4	18	2	2	2	28
Total		10	21	3	2	2	38

5. FOREIGN ASSISTANCE

Consumer Protection

a) SHORT-TERM

Since September 2005, the Ministry of Justice has been implementing the Technical Assistance Project in the field of mediation, funded by the International Finance Corporation PEP - Southeast Europe and the Government of the Netherlands. The Project's objective is to provide support and establish a legal framework for mediation, as well as

implementation of such a legal framework through: training of the future mediators, public awareness raising campaign on mediation, support for pilot-projects and setting up mediation centres in the country.

Public Health

a) SHORT-TERM

Communicable diseases

The Early Warning and Reporting of Communicable Diseases Project (ALERT SYSTEM), funded by the World Health Organization, started in 2004. It is being implemented as a pilot-project in 6 cities (Skopje, Tetovo, Gostivar, Kumanovo, Kriva Palanka, and Kratovo) under the jurisdiction of 3 Health Protection Offices – Skopje, Tetovo and Kumanovo (the software is already installed, the health workers have been trained to work with it) and the reporting of communicable diseases starts at the beginning of 2006, according to the Project's recommendations.

The introduction of the system is closely related to the implementation of the EU measure 32000D0057.

The Global Fund for HIV/AIDS, tuberculosis and malaria has provided finances for the implementation of a five-year programme for tuberculosis prevention; the finances amount to US\$ 3,071,097 and \$US 1,442,489 for the first and second year of the programme, subsequently.

Safety of blood, human tissues and cells

In June 2005, the Republic of Macedonia and Republic of France signed an agreement for French financial aid for the Macedonian transfusion system. This three-year agreement aims at improving the quality of blood components and ensuring a higher level of transfusion safety, to be achieved by:

- Drafting a Law on Provision of Blood and Blood components,
- Defining standards for blood components and Rulebooks on good practices in the transfusion
- Establishment of a system of following the procedures related to blood, i.e. Haemovigilance
- Aid in the realization, in optimal conditions, of autologous and allogenic transplants of chemotherapeutic mother cells
- Project management (general board, occasional evaluation...)

The agreement also foresees commencement of procurement of technical equipment and sundries, exceeding Euro 150,000.

b) MEDIUM-TERM

Communicable diseases

The introduction of the system of early detection and reporting of communicable diseases means equipping of all health organizations with ICT equipment, staff training, networking between the health institutions and the city health protection offices, the State Institute for Health Protection and the Ministry of Health; equipment maintenance etc., possibly facing difficulties in implementation unless foreign assistance is provided.

Safety of blood, human tissue and cells

The agreement for French financial assistance for the Macedonian institute on transfusion medicine foresees commencement of the introduction of the monitoring system in the second and third year following the start of the project. Depending on the stage of the project implementation, the procurement of equipment, required sundries and training of the employees to work with such equipment and material will continue during this period, accordingly.

3.29 CUSTOMS UNION

CURRENT SITUATION

a) LEGAL FRAMEWORK

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 **Implementing Regulation of the Customs Law**, a high degree of compliance of our legislation with the legislation of the European Union was achieved, which is in accordance with the obligations undertaken with the Stabilization and Association Agreement between the Republic of Macedonia and the European Communities and their member states. The implementation of the law started on 1 January 2006.

With the adoption of the Customs Law and its implementing regulation, further harmonisation of the provisions regulating the customs procedures was achieved, especially in the part of the procedures with economic impact and the simplified procedures. Provisions regulating the free warehouses and free economic zones identical with the provisions of the European legislation were introduced, previously regulated in a different manner.

Additionally, in the course of 2005 a Regulation on the manner of filling in the customs declaration and the List of Codes applicable for entry into the customs declaration were adopted. The Regulation provided harmonisation with the Commission Regulation (EC) No 32003R2286, as well as with many international standards and recommendations (ISO 3166 2A on the country codes and UN/ECE on the entry of the units of measurement, the means of transport and the kind of packages).

In December 2005 two regulations for implementation of the Customs Law were adopted, namely: the Regulation of the closer criteria and the manner of implementation of relief from paying import duties, as well as values, quantities and type or purpose of goods that may be relieved from paying import duties, and the Regulation on autonomous measures for reduction or suspension of import duties and on detailed conditions for goods to be subject to autonomous measures for reduction or suspension of import duties, as well as their allocation and utilisation. These two Regulations have created a legal framework for full implementation of the new Customs Law.

The new Customs Law and the Implementing Regulation of the Customs Law were prepared with technical assistance of the Customs and Fiscal Assistance Office of the European Union (CAFAO-MAK). The Council Regulation (EEC) no. 31992R2913 establishing the Community Customs Code, as well as the Council Regulation (EEC) no. 31993R2454 laying down provisions for the implementation of the Community Customs Code were used as a models in the drafting of these legislation. Corresponding table with explanatory notes on the compliance of each national provision with the European ones was also prepared.

At the end of 2005 the Minister of Finance adopted a new Decision on the type and amount of the customs fees for rendered services during customs procedure. This Decision, starting from 1 July 2006 abolishes the fee in the amount of 100 EUR for each submitted request for allocation of the tariff quotas according to the Free Trade Agreements.

In 2003 the Republic of Macedonia adopted a new **Law on Customs Tariff** with instruments and measures that are compatible with the rules of the European Union and which laid the legal grounds for harmonization of the customs nomenclature of the Republic of Macedonia with the European Union Combined Nomenclature. The provisions of the Law on Customs Tariff provide that the Government of the Republic of Macedonia will harmonize the national customs nomenclature with the European Union Combined Nomenclature at the latest until the end of November in the current year, for the next year. This created conditions for easier transposition of the Common Customs Tariff and all relevant instruments for its implementation.

The Customs Tariff of the Republic of Macedonia, which is based fully on the European Union Combined Nomenclature prescribes the customs tariffs and contains the bound tariff rates of the WTO, expressed in percentage as *ad valorem* or as specific customs duties expressed in fixed amounts per unit of measurement. The Customs Nomenclature also serves as a base for customs or external trade statistics.

The Decision on the manner and procedure of allocation of goods within the tariff quotas in accordance with the Free Trade Agreements, adopted by the Government of the Republic of Macedonia in 2002, provides two methods of distribution of the tariff quotas, the first one according to the principle "first come, first served", while the second provides the allocation of tariff quotas according to the method of auction and is used only for the most sensitive agricultural products. In accordance with the recommendations given in the European Partnership, the Ministry of Economy will change the method of auction for tariff quotas allocation.

The new **Law on Customs Administration** is being implemented since 2004. The rules for the internal organisation of the Customs Administration of the Republic of Macedonia were adopted and entered into force in 2004. The Law on Customs Administration and the provisions for its implementation set the basis for efficient actions and performing the tasks that have to be implemented in the area of Customs. With this Law, the customs officers were given for the first time authorizations for full implementation of all customs procedures in accordance with the European Union standards, as well as in the criminal procedure in the area of customs frauds. The

Code of Ethics of Customs Employees was adopted in 2002. The Rulebook on the type of documents and data marked as official, business and other secret, the manner of their keeping and protection, as well as the Decree on carrying and use of weapons by customs officers were also adopted in 2005.

In the area of protection of the Intellectual Property Rights – fight against piracy and counterfeited goods – in May 2005 the **Law on Customs Measures for Protection of the Intellectual Property Rights** was adopted. With the adoption of this Law, full harmonization of our legislation with the legislation of the European Union and the TRIPS Agreement was achieved. The adoption of this Law is a novelty regarding the existing customs regulations and introduces a new quality in the work of the customs authorities. It implements the Council Regulation (EEC) no. 32003R1383. The Implementing Regulation of the Law on the Customs Measures for Protection of Intellectual Property Rights is also fully in compliance with the *acquis*, i.e. the Commission Regulation (EC) No 32004R1891.

The Republic of Macedonia is a member of the World Customs Organisation, the World Trade Organisation, and is also a Contracting Party to the numerous bilateral and multilateral agreements related to the work of the customs authorities. Despite this, there are still certain differences between the *Acquis* and the Macedonian legislation.

b) 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 across the border line of the legal border crossings and simultaneously dealing with many other duties resulting from the new laws and regulations. Following 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.

In May 1997, the European Commission prepared the document *Customs Blueprints*, which states the basic recommendations for improvement and increasing of the efficiency of the Customs Administrations of those countries, with aspiration for membership in the European Union. *Blueprints* clearly states that membership in the European Union cannot be expected without an adequate Customs Administration. It states, as well the basic aims that need to be implemented by the customs services in order to build an operative efficiency of the Customs Administrations. In order to achieve complete fulfilment of the recommendations stated in these documents, the Customs Administration prepared a gap analysis in order to determine the future activities in this direction. The survey of harmonization of the Macedonian customs legislation with the *Acquis communautaire*, showed a high degree of legislative harmonization.

It is of particular importance to refer to the Protocol 4 concerning the definition of the concept of “Originating Products” and methods of administrative cooperation and Protocol 5 on mutual administrative assistance in customs matters, which are integral part of the Stabilization 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 2004 the Government of the Republic of Macedonia adopted the National Strategy for European Integration of the Republic of Macedonia, the National programme on approximation of the legislation of the Republic of Macedonia to the EU legislation, as well as the Action Plan for European Partnership. The Strategy for Development of the Customs Administration of the Republic of Macedonia (2004-2008) for a period of five years defines the Ministries', economy and public expectations regarding the management, working standards and achievements. The Strategy clearly determines the position of the Customs Administration of the Republic of Macedonia at the end of this period with reference to the standards of the services aimed to the economy and the public, the working achievements, infrastructure and the equipment (including the information technology) as well as the human resources management. The further approximation of the legislation, as well as the reorganisation of the Customs Administration will be based on the principles of these documents.

SHORT-TERM PRIORITIES

The further harmonization of the Customs legislation was intensified following the adoption of the European Commission Recommendation at the Thessaloniki Summit, where it was clearly pointed out that the enlargement of the European Union is open to the countries of the Western Balkans. Then, it was clearly indicated that the countries from the Western Balkans should start the preparations for integration in the Single European market.

During 2006, the activities of the Customs Administration of the Republic of Macedonia will be concentrated on further harmonization of the legislation and strengthening of the customs infrastructure. According to the key priorities of the European Partnership, additional amendments to the Decision on the type and amount of the customs fees for rendered services during customs procedure will be made in order to harmonise them fully with the provisions of the Stabilisation and Association Agreement, as well as with the *Acquis communautaire*.

In the pre-accession period, the Customs Administration will be restructured in a manner that it could implement the *Acquis communautaire* in the area of the Customs Union. The modernization of the Macedonian customs system is aimed at reaching the following goals:

- Reaching complete harmonization of the customs legislation;
- Reaching full organizational and operative efficiency of the customs service.

With the introduction of novelties in the customs procedures, the role of the customs agents gains more importance because while protecting the rights of their clients, they should also take account of the correct implementation of the regulations. With the new way of regulating the relationship, i.e. by introducing direct responsibility of customs agents, it is expected that they will be interested in carrying out the customs procedure in a legal manner, how the Customs Administration and the agents would build a so-called Partnership relations. Therefore, the new Customs Law clearly defines the role of the declarants and the agents, their rights and obligations. All this imposes a novelty in the Customs Law in regulating the work of the customs agents in the customs procedure in the part of obtaining an authorization for representation for submission of customs declarations as customs' licenses for natural persons, authorized to sign the customs declarations. This area was not regulated until now, which is contrary to the experiences of other countries.

During 2006, based on the Regulation on the manner of proving requirements for obtaining and withdrawal authorisations for representation for customs procedures and issuing customs licenses, as well as on the Regulation on programme and contents of the special occupational examination for conducting representation during customs procedures, and costs and fees for conducting special occupational examination, the Customs Administration will work on the process of licensing of the participants in the customs procedure.

The novelties provided by the Customs Law will enable building a customs system that will provide timely and efficient collection of the customs and other duties, as well as prevention of import of illegal goods. This customs system will contribute towards facilitation of the international trade and sustainable economic development, which is a real challenge. 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 standardized definition of the rights and obligations of all participants in the customs procedure, which was achieved with this Law that enables defining the responsibilities in the operations of all participants in the customs procedure.

The concept of selectivity, further developed with the new Customs Law supports the intention to control smaller part of the goods and documentation and to release a larger part of the goods by accepting all statements of the declarants as correct without their verification. This means that less transport vehicles and shipments will be physically inspected and controlled and the selection will be made based on risk analysis. This will contribute toward efficient use of the resources of customs authorities on the one hand and speeding up and facilitating the customs procedure.

The new customs regulations are expanding the possibility for use of the simplified procedures. In the area of transit, these are the simplifications for the so-called Authorized Exporter and Authorized Consignor who will be able to start i.e. complete the transit procedure directly from their premises avoiding the need for transport vehicles to enter the so-called customs terminals. The possibility for so-called local clearance through the Customs is elaborated in details in the other customs procedures, such as release of the goods for free circulation (import) and export, as well as in the customs procedures with economic impact (storage, inward processing and others). This means that the customs procedure of the goods will start directly in the premises of the holder of the authorization for such simplified procedure. These advantages are available to all participants in the customs procedure who are offering all securities for correct implementation of the regulations.

In the course of 2006, the Customs Administration will prepare new operative instructions and guidelines for increasing the administrative capacity of the Customs service on the manner in which the activities of visit/control of companies – exporters should be realized, operative guidelines with more precise directions for verification of the proofs of origin, issued by the Customs Administration, as well as improving the technical solutions for tariff quotas allocation according to the European Union Tariff Quota System (TQS). Special attention will be paid to an additional training of the business community for better understanding and implementation of the Protocol on Rules of Origin.

The Convention on Temporary Import – the Istanbul Convention, as well as the Convention on Facilitating and Harmonizing Customs Procedures – the Revised Kyoto Convention, is expected to be ratified until the end of 2006.

MEDIUM-TERM PRIORITIES

The membership of the Republic of Macedonia in the European Union contains the obligation to adopt and incorporate the customs legislation of the Community, to undertake tasks for protection and control of the external borders of the European Union, to eliminate the internal borders with the European Union, to implement an efficient ICT system, aligned to the European Union standards, as well as to increase the Customs Administration efficiency.

The areas of the customs legislation that will remain not harmonized after the first reviewing will be finally harmonised following the second reviewing of the customs legislation, which means that the Republic of Macedonia will start their implementation as part of the *Acquis* on the day of entering the European Union. These areas are especially concerning the 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; implementation of the Common Communication Network (CCN).

During this period, introduction of a computer software for receipt, updating and overview of the TARIC database is planned, which will contain all information on all measures that need to be taken by the Customs services at the time of importation of certain goods from certain countries. Proposal for introduction of a New Computerized Transit System (NCTS) will be prepared.

The Customs Administration will conduct numerous analyses of the provisions of the European legislation, directly applicable in the member states in the area of Customs, which leaves a space for the member states to decide by themselves based on separate cases which are important for the system implementation and supervision.

Prior to the accession in the European Union, the network of bilateral agreements for mutual assistance and cooperation will have to be separately verified, especially regarding the transfer of competencies from the national to the European institutions. On the day of accession to the European Union, the Republic of Macedonia will undertake all international agreements that the European Union has concluded with third countries.

The reorganization of the customs service will enable: adoption of legislation regarding the organization and competencies of the customs authorities; providing high degree of cooperation among the customs, taxes and other state services; establishing efficient customs control, especially in the part of the smuggling and collection of public taxes; highly-qualified and motivated employees with high degree of responsibility and regulated status, salaries, training and promotion opportunities, support of an information system compatible with the structure of the Community Information System.

The reorganization and ability of the customs service for efficient and correct collection of the direct revenues of the European Union, as well as the protection and control over the external borders of the European Union are essential goals that need to be achieved by the Customs Administration in meeting their obligations resulting from the membership in the European Union.

The Customs Administration of the Republic of Macedonia participates in several activities for operative technical assistance in the area of trainings for the employees, as well as in the sphere of improvement of the technical equipping of the Administration. The technical assistance was provided through the mission of the European Union (CAFAO-MAK), but also through the bilateral twinning with the Customs Administration of the Kingdom of the Netherlands, for the period 2005-2008.

The Customs Administration of the Republic of Macedonia should be strengthened technically and in terms of human resources, so that in the moment of accession in the European Union it will be able to perform the new tasks of administrative cooperation and exchange of data.

The largest part of the budget funds will be used for computerization of the Customs Administration. The rest of the funds will be used for further harmonization of the customs system with the European Union Customs Code, as well as for strengthening the administrative capacity of the Customs Administration through new employments and improvement of the infrastructure.

INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total
09001	Ministry of Finance – Sector for Customs and Tax System	0	0	1	1	1	3
09001 Total		0	0	1	1	1	3
09003	Ministry of Finance – Customs Administration	50	40	60	0	0	150
09003 Total		50	40	60	0	0	150
Total		50	40	61	1	1	153

EU Funds:

Year	Amount in Euro
2006	2,000,000
2007	500,000
2008	
2009	
2010	
TOTAL	2,500,000

The Republic of Macedonia already uses certain forms of technical assistance as part of the European Union technical assistance programme CARDS. This assistance is being realized through the CAFAO MAK Project in the Republic of Macedonia, which amounts to 2 million Euros⁶⁹ for the fiscal year 2006.

The CAFAO MAK Mission is a team of customs experts from the member states of the European Union that provide technical support to the Customs Administration in its modernization and establishment of a completely operative customs activities in accordance with the European standards. The team, which is composed of international experts, is called Customs and Fiscal Assistance Office for Macedonia (CAFAO-MAK). Apart from delivering equipment and specialized training, this Office also works together with its Macedonian colleagues on the ground in order to prompt the transfer of skills and knowledge by delivering training techniques in the course of the carrying out of the activities.

CAFAO-MAK is directed towards the customs legislation, human resources management, training and implementation of the Customs Law.

Additionally, certain bilateral assistance is used as part of the Twinning project with the Customs Administration of the Kingdom of Netherlands for the period 2005 to 2008. The project amounts to approximately 500,000 Euro and the funds will be used according to the agreed programme activities.

⁶⁹ Apart from the Customs, this project will also cover part of the area of taxes. The division of funds has not been agreed yet.

3.30 EXTERNAL RELATIONS

3.30.1 COMMON COMMERCIAL POLICY

1. CURRENT SITUATION

1.1 LEGAL FRAMEWORK

The acquis in the field of external relations consists of multilateral and bilateral obligations undertaken by the European Community within international organizations and with other countries, which does not require transposition into national legislation. However they will be directly applicable in the Republic of Macedonia after the accession.

The Republic of Macedonia has been a member of the World Trade Organization since 4 April 2003 and has therefore undertaken the obligations deriving from the WTO agreements. The Republic of Macedonia has not commenced negotiations for accession to the WTO Agreement on Government Procurement. In November 2005, the Republic of Macedonia ratified the Agreement on Trade in Civil Aircraft. The Ministerial Declaration on Trade in Information Technology Products is implemented in the Schedule of Concessions and Commitments on Goods of the Republic of Macedonia in the World Trade Organization.

Following the accession to the European Union, the Republic of Macedonia is committed to comply with the Common Commercial Policy of the Community and its preferential trade agreements. Furthermore, the Republic of Macedonia will become a part of the Single European Market. As such, it shall apply the autonomous preferential trade regimes which the Community grants to certain third countries, including the EU's Generalized System of Preferences. Additionally, all the preferential trade agreements that the Republic of Macedonia has concluded with third countries shall be terminated, and the non-preferential trade agreements shall be aligned with the commitments resulting from EU membership.

The Customs Administration of the Republic of Macedonia shall continue to enhance its capacities for implementation of the Community regulations relating to trade preferences.

Regarding the trade defence instruments, the Republic of Macedonia has included provisions on safeguard measures and countervailing duties in the Law on Trade and on the basis of this Law, by-laws have been adopted, in particular: a Decision on the Procedures and Manner of Establishing Safeguard Measures for Increased Imports and a Decision on the Procedure and Manner of Introducing Countervailing Duty. These acts have been notified to the World Trade Organization, in the Safeguards Committee and the Subsidies and Countervailing Measures Committee.

The Republic of Macedonia has introduced the legal basis for control of dual-use goods by adopting the Law on Control of Export of Dual-Use Goods and Technology. The by-laws of this Law have been adopted, namely - the List of Dual- Use Goods and Technologies and the List of States, Organisations, Entities or Individuals that are subject to certain limitations in export of dual-use goods and technologies. Upon the recommendation of the European Commission the adoption of the List of states for which "End-User Certificate" is not required shall be re-examined.

The Republic of Macedonia has concluded Free Trade Agreements with 38 countries, in particular the Stabilization and Association Agreement including the EU Member States (25), 4 with member countries of the EFTA and 9 bilateral Free Trade Agreements with the following countries: Serbia and Montenegro, Croatia, Bulgaria, Turkey, Ukraine, Bosnia and Herzegovina, Albania, Romania and Moldova. In addition, the Republic of Macedonia has concluded an Interim Free Trade Agreement with UNMIK for the territory of Kosovo.

Following the accession of Bulgaria and Romania in the European Union, the Free Trade Agreements with these countries shall be terminated, and the Stabilization and Association Agreement shall apply. Upon joining the European Union, the Republic of Macedonia shall accept the agreements that the European Union has concluded with other countries, while the free trade agreements that the Republic of Macedonia had concluded with other countries, shall be terminated.

The Republic of Macedonia has completed the negotiations for accession to the Central European Free Trade Agreement (CEFTA). The accession agreement of the Republic of Macedonia in CEFTA was signed on 27 February 2006, and is currently in the process of ratification. Furthermore, the Republic of Macedonia within the framework of the Stability Pact, observing the Ministerial Declaration for Trade Liberalization in South Eastern Europe (from 10 June 2005 by the Ministers of Economy of the South Eastern European Countries) has commenced negotiations for concluding a Single Free Trade Agreement. It is envisaged that the Single Free Trade Agreement for the countries of South Eastern Europe shall be concluded during the course of 2006, and shall become applicable as of 1 January 2007.

The Republic of Macedonia has also concluded agreements for trade and economic cooperation with other countries, which shall be aligned with the obligations resulting from the EU membership.

Thus far the Republic of Macedonia has concluded 11 bilateral agreements on promotion and reciprocal protection of investments with EU Member States, and 3 agreements that have been initialized by expert teams but have not been signed yet.

The Macedonian Bank for Development Promotion (MBDP) is 100% state-owned and was established by a special Law on Establishment of the Macedonian Bank for Development Promotion (Official Gazette of the Republic of Macedonia No. 24/98, 6/00). According to this Law, among other functions, the Macedonian Bank for Development Promotion is also in charge of insurance and reinsurance of exports from commercial and non-commercial risks. Hitherto the Macedonian Bank for Development Promotion has developed an instrument for insurance of export of goods with deferred payment of up to one year. The insurance of short-term export credits is performed only from commercial risks, with the intention in the future to develop an insurance instrument for exports from political risks. The Macedonian Bank for Development Promotion is a full-fledged member of the Prague Club of Insurers, a branch of the Berne Union which is an international union of credit and investment insurers, and as such has signed agreements with many export-crediting agencies from the region and the wider area through which it advances the mutual cooperation in this field. The development of activities of the Macedonian Bank for Development Promotion in the field of insurance is undertaken by a special organizational section of the MBDP.

At present there are no by-laws regulating the issue of export insurance from any risks, neither for short-term nor long-term. However, in its activity the Macedonian Bank for Development Promotion observes the General Provision of the Berne Union – the International Union of Credit and Investment Insurers and the Knaepen Package: General principles for calculation of premium costs in accordance with the Agreement for Management of Officially Supported Export Credits, which was signed by the OECD Member States. For the purpose of export insurance, the Macedonian Bank for Development Promotion has developed internal structures, as well as a set of standard documents through which the interested entities could submit the necessary documentation and required data for receiving export insurance. The Macedonian Bank for Development Promotion cooperates with agencies from the EU Member States that perform similar operations of export credits insurance. The Republic of Macedonia is not a OECD Member, however following the decision for granting candidate status for EU membership and until the moment it becomes a member of the EU the necessary activities for approximation and application of the EU regulations in this field shall be undertaken.

Although the development of insurance instruments for short-term and long-term export credits is not envisaged in the near future as well as drafting national legislation regarding this issues, the Republic of Macedonia in accordance with international obligations and its strong determination for application of the EU legislation, shall draft the necessary legislative acts regulating this field in line with the EU legislation which is in force at the moment of accession in the European Union.

1.2 INSTITUTIONAL FRAMEWORK

The institution in charge of the design and implementation of the majority of the legal acts in this field is the Ministry of Economy. In the forthcoming period when direct application and enforcement of EU legislation shall be required, the sectors of the Ministry of Economy in charge of this field shall be strengthened as well as a continuous training for the employees shall be organised. Currently, the Ministry of Economy in the Sectors for WTO and Trade as well as the Sector for Bilateral and Multilateral Cooperation has a total of 17 employees.

The Ministry of Finance is also responsible for part of the legal acts in this field through two sectors within the framework of the Ministry, in particular: the Sector for Financial System which is in charge of agreements on promotion and reciprocal protection of investments and the Sector for International Finance responsible for the legislation pertaining to export credits. Both of these Sectors are adequately staffed, however, additional training for the subject matter resulting from the application of EU legislation is necessary. The Customs Administration of the Republic of Macedonia plays a part in the design and application of the legislation from this chapter.

The part concerning the developmental cooperation and humanitarian aid is in the competence of the Ministry of Foreign Affairs.

2. SHORT-TERM PRIORITIES

2.1 LEGISLATION

It is envisaged that the Single Free Trade Agreement for the countries of South Eastern Europe shall be concluded before the end of 2006. Furthermore, according to plans, the Agreement for the Accession of the Republic of Macedonia in CEFTA shall be ratified in 2006.

3. MEDIUM-TERM PRIORITIES

3.1 LEGISLATION

Drafting and adoption of regulation on antidumping, in accordance with WTO rules, and the EU legislation regarding to this field. Drafting of the required regulation, fully compliant with EU legislation and development of instruments for insurance of short-term and long-term export credits.

On the basis of the clients' needs, the Macedonian Bank for Development Promotion should propose adequate methodology for development of instruments for insurance of short-term and long-term export credits, which shall be approved by representatives of the Government of the Republic of Macedonia.

3.2 INSTITUTIONS

The institutions in charge of implementing the *acquis* of this chapter have already been established. It is planned to strengthen their capacities through increasing the number of employees and their technical equipping.

4. INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total
09001	Ministry of Finance – Sector for International Finance	2	0	0	0	0	2
09001 Total		2	0	0	0	0	2
10001	Ministry of Economy – Sector for Bilateral and Multilateral Cooperation	1	1	0	0	0	2
10001 Total		1	1	0	0	0	2
Total		3	1	0	0	0	4

5. FOREIGN ASSISTANCE

At present, the implementation of two projects is ongoing; in particular:

1. USAID (2004-2006) - World Trade Organization (WTO) Compliance Project, assistance to the Republic of Macedonia in fulfilling the obligations undertaken with the WTO membership and developing dialogue among the state institutions and the private sector in order for the business community to utilize the benefits deriving from membership in the World Trade Organization and
2. GTZ (2002-2006) – Technical support to the process of approximation of the legislation of the Republic of Macedonia, assistance for the legal implementation of the internationally undertaken obligations and preparation of an active and efficient realization of the rights and commitments resulting from the membership of the Republic of Macedonia in the World Trade Organization.

3.30.2 DEVELOPMENT COOPERATION AND HUMANITARIAN AID

1. CURRENT SITUATION

In this phase, the Republic of Macedonia has exquisitely limited possibilities to play the role of providing support with the objectives and instruments of the "external" **development policy** of the European Union.

The Republic of Macedonia does not have the experience or sufficient funds for development cooperation. At present, in the Republic of Macedonia there is no legal framework for "external" development policy, no instruments have been defined for such policy and no organizational unit exists for the purpose of implementing this type of policy. Until now, the Republic of Macedonia has not granted development, technical or financial aid.

During the past few years, the Republic of Macedonia has allocated **humanitarian, material aid** at several occasions, within its capacities with the purpose of avoiding humanitarian disasters or helping overhaul the consequences of the natural and other disasters, in Korea, Vietnam, Mongolia, Pakistan and South Eastern Asia (for the tsunami-stricken provinces).

The standard procedure in the Republic of Macedonia when coordinating the humanitarian aid is to form an ad hoc coordinative body in accordance with a Decision of the Government of the Republic of Macedonia, usually within the Ministry of Foreign Affairs, with representatives from multiple institutions from the country involved in the allocation of the aid.

3. MEDIUM-TERM PRIORITIES

The Republic of Macedonia supports the development policy of the European Union and the allocation of humanitarian aid. With the approximation and integration process for membership in the European Union, as well as achieving an advanced level of economic development, the Republic of Macedonia will have the opportunity to successfully participate in the development cooperation of the EU and to contribute to the European Development Fund (EDF). In order to accomplish this objective, the following will be essential:

- preparation of an analysis for the regulation and resources required for the implementation of the system for development cooperation and humanitarian aid;

- approximation with (accepting) the EU legislation, as well as the international obligations in this field;
- providing the funds necessary for participation in the development and humanitarian policy of the European Union.

3.1 INSTITUTIONS

Regarding medium-term planning, a National Coordinator for development cooperation and humanitarian aid is to be appointed, in addition to the establishment of a Unit for development cooperation and humanitarian aid within the Ministry of Foreign Affairs, with the necessary staffing and technical equipment, as well as adequate training for the authorized personnel.

3.31 FOREIGN, SECURITY AND DEFENCE POLICY

I. CURRENT SITUATION

3.31.1 COMMON FOREIGN AND SECURITY POLICY AND EUROPEAN SECURITY AND DEFENCE POLICY

LEGAL FRAMEWORK

The legal framework in the area of the Common Foreign and Security Policy is composed by the following legal acts: The Constitution of the Republic of Macedonia, the Law on Organisation and Operation of the State Administrative Bodies, the Law on Defence, the Law on Protection and Rescue, the Law on Crises Management, the Law on Classified Information, etc. The Law on Foreign Affairs, which is in parliamentary procedure and is expected to be adopted in the first semester of 2006, will constitute an integral part of the national legal framework regarding the CFSP/ESDP.

INSTITUTIONAL FRAMEWORK

The Ministry of Foreign Affairs in cooperation with the Ministry of Defence, Ministry of Interior, Ministry of Justice, Ministry of Economy, Ministry of Finance (Customs Administration and Directorate for Prevention of Money Laundering), Legislative Secretariat, Directorate for Protection of Classified Information and the Crisis Management Centre are the competent institutions for the implementation of the activities related to CFSP/ESDP.

The Ministry of Foreign Affairs coordinates the implementation of the obligations emerging from the process of adoption of the EU acquis in the area of CFSP.⁷⁰ The coordination is pursued by the Unit for CFSP, established within the Sector for EU in January 2006. In the same period the Unit for Armament Control, within the Sector for Multilateral Relations was also established. This unit is responsible for the coordination and monitoring of the implementation of the international regimes for arms control, non-proliferation and disarmament. According to the systematisation, it is foreseen for each of these units to be comprised of a head of department and 5 officers.

The Ministry of Foreign Affairs is continually upgrading its IT capacities. Ongoing are the activities for enhancement of the safety level of VPN communication with DCMs of the Republic of Macedonia, as well as technical preparations for the realisation of electronic exchange of classified information with the EU.

Within the framework of the other line ministries there are organisational units (sectors/units) for international cooperation and European integration, competent to implement, i.e. to coordinate and monitor the implementation of the international obligations within their scope of competence.

In accordance with its commitment to contribute to the European Security and Defence Policy, the Ministry of Defence considers the possibilities for organisational and institutional strengthening in the mentioned area.

The Inter-ministerial Working group for CFSP, chaired by the Ministry of Foreign Affairs, meets on regular basis and addresses the assumed obligations that arise from EU legal acts.

The Law on Foreign Affairs, which is in parliamentary procedure, will impose new solutions as regards the organisational structure of the Ministry of Foreign Affairs. There is an ongoing analysis on the competencies and setting of the function of Political Director and European Correspondent in the future organisational structure of the Ministry.

1.1. Political Dialogue

The Republic of Macedonia maintains regular political dialogue with the EU on bilateral basis (Stabilisation and Association Council, Stabilisation and Association Committee and Common Parliamentary Committee), as well as on multilateral basis, together with the other four SAP-countries, within the Political Forum EU-West Balkans.

The country during the past two years has adhered to EU Common Positions, Declarations and Demarches concerning the actual international issues, whether they are based on EU invitation or on unilateral basis. They are continuously published in the *Official Gazette of the Republic of Macedonia*.

1.2. Cooperation with international organisations

⁷⁰ The total number of employees in MFA amounts to 334, out of which 202 work in the Republic of Macedonia, organised in 12 sectors, while 132 work in the diplomatic and consular mission abroad. The diplomatic network of MFA includes 29 embassies, 8 permanent mission and 5 general consular offices.

The Republic of Macedonia is a member of the UN, the OSCE, the Council of Europe and other international organisations and, actively participates in the regional initiatives at the same time.

The Republic of Macedonia strongly supports the work of the International Criminal Court. During the negotiations with the USA on the conclusion of the Agreement regarding the Surrender of Persons to the ICC, the Republic of Macedonia has taken into consideration the "EU Guiding Principles Concerning Arrangements between a State Party to the Rome Statute of the International Criminal Court and USA Regarding the Conditions to Surrender of Persons to the Court". In accordance with the EU Guiding Principles, the agreement with USA was concluded on a non-reciprocal basis, i.e. it applies only to the citizens of USA, which is not a signatory of the Rome Statute. The agreement is not applicable to the citizens of the Republic of Macedonia.

1.3. Control of armament (non-proliferation of weapons of mass destruction; exports of conventional weapons; small arms and light weapons; dual-use goods and technologies)

The Republic of Macedonia, in different forums has reaffirmed its readiness to cooperate with the EU on these issues, either on bilateral basis or within the international organisations and upon invitation of the EU, has regularly adhered to CFSP documents related to this area. The Republic of Macedonia has unilaterally accepted the principles and criteria under the EU Code of Conduct on Arms Exports, and has also adhered to the Common Position 2003/468/CFSP on the Control of Arms Brokering, to the EU Programme for Preventing and Combating Illicit Trafficking on Conventional Arms and to the Joint Action 2002/589/CFSP on the EU's Contribution to Combating the Destabilising Accumulation and Spread of Small Arms and Light Weapons.

In order to promote the cooperation and to contribute to the fight against proliferation of weapons of mass destruction through full respect and realisation of the existing international instruments on disarmament and non-proliferation at national level, the Republic of Macedonia and the European Union have adopted a Common Declaration on Non-spreading of the Weapons of Mass Destruction (II Council for Cooperation RM-EU, Brussels, 18.07.2005).

The Republic of Macedonia has adopted the major international instruments related to the non-proliferation of weapons of mass destruction and conventional weapons and actively participates in the activities of the international organisations that address this matter. The Republic of Macedonia concluded an Agreement with the International Atomic Energy Agency (IAEA) on Acceptance of the Monitoring Mechanisms for Verification of Compliance with the International Obligations on Non-usage of Nuclear Programmes for Developing Nuclear Weapons (IAEA Safeguards Agreement). In July 2005, the Supplementary Protocol to this Agreement was signed, and the procedure for its ratification has been initiated. On 17.01.2006 the Convention on Nuclear Safety was ratified. With regard to the implementation of the Convention on the Prohibition of Development, Production, Storing and Use of Chemical Weapons and on their Destruction, a draft law has been prepared and has entered the governmental procedure. It is expected to be revised and adopted by the Parliament of RM during the first half of 2006.

The control of the export of dual-use goods and technologies in the Republic of Macedonia is regulated by the Law on Control of Export of Dual-Use Goods and Technologies and the bylaws thereof: List of Dual-Use Goods and Technologies, List of States, Organisations, Entities or Individuals that are Subject of Certain Limitations in Exporting Dual-Use Goods and Technologies. Upon the recommendation of the EC, the adoption of the List of States for which an End- User Certificate is not required shall be re-examined. The Law and the bylaws comply with the Council Regulation (EC) No 3200R1334 and the additional amendments introduced with the Regulations 32003R0149 and 32004R1504.

In view of the control of small arms and light weapons, the Republic of Macedonia supports and implements the UN Action Programme to Prevent, Combat and Eradicate Illicit Trade in Small Arms and Light Weapons, the OSCE Document on Small Arms and Light Weapons and the Regional Implementation Plan on Combating Proliferation of Small Arms and Light Weapons of the SEE Stability Pact. The Government of the Republic of Macedonia has adopted a National Strategy for Control of Small Arms and Light Weapons and has established a National Commission competent for its implementation.

1.4. Fight against terrorism

The Republic of Macedonia is a contracting party to the majority of conventions against terrorism within UN (10 of 12) and the Council of Europe. The Protocol to the European Convention for the Suppression of Terrorism was ratified on 05.07. 2005. (Previously, the Convention ratified in 2004 entered into force on 01.03. 2005). The Republic of Macedonia is a signatory of the UN International Convention for the Suppression of Acts of Nuclear Terrorism (14.09.2005), and there is an ongoing procedure for signing of the European Convention on the Suppression of Terrorism.

Upon invitation by EU, the Republic of Macedonia is implementing the Common Position 2001/931/CFSP on the Application of Specific Measures to Combat Terrorism, as well as the subsequent common positions updating the lists of persons, groups and entities to which the said Common Position refers. In addition, within the framework of the UN, the Republic of Macedonia regularly aligns with the common statements and positions of the EU on this issue. With the aim to promote the cooperation for prevention and fight against terrorism through full implementation of the Resolution 1373 and the other relevant UN resolutions, international conventions and

instruments, the Republic of Macedonia and the European Union have adopted the Common Declaration for Fight against Terrorism (II Council for Cooperation RM-EU, Brussels, 18.07.2005).

The Republic of Macedonia regularly and actively cooperates with the Counter-Terrorism Committee (CTC) of the UN Security Council established in accordance with Resolution 1373 (2001). Hitherto, it has submitted to the Committee four reports (initial and three additional ones, the last submitted in June 2005).

During the period 5-10 March 2006, the Republic of Macedonia will host the CTC mission (where the team will include an EU expert) that will evaluate the implementation of the international obligations accepted by the country regarding the fight against terrorism and deriving from the Resolution 1373 (2001).

1.5. ESDP - Participation in EU operations for crisis management

The Republic of Macedonia has continually upgraded its civil and military capacities in order to be prepared to participate in the operations for crisis management, led by the EU, during the period of accession to the EU.

The Republic of Macedonia undertakes a comprehensive reform of the security and defence system, in accordance with the National Security and Defence Concept and the Strategic Defence Review. The overall process of transformation is planned to be completed by the end of 2007. Thus, the Republic of Macedonia develops capacities for participation in the EU operations for crisis management and for active contribution to the implementation of ESDP.

The Republic of Macedonia directly contributes to the establishment and the maintenance of the international peace and security through its participation in NATO – led missions in Iraq and Afghanistan. The Republic of Macedonia is committed to give its contribution to the EU operations within the European Security and Defence Policy. The commitment of the Republic of Macedonia is to further increase the scope of its own participation and contribution to the international peacekeeping missions led by EU and NATO.

In accordance with the political determination for participation and contribution to the European Security and Defence Policy, the Republic of Macedonia has shown interest for participation in the EU Military Operation in Bosnia and Herzegovina - Althea. To this end, the Republic of Macedonia declared a helicopter detachment comprised of 2 helicopters Mi – 8/17 and the necessary staff of 17 persons (with possibility of increasing up to 20). The preparations and negotiations for assigning the declared helicopter detachment which is foreseen to be within the Belgian contingent at the Mostar's Airport are under way.

The Republic of Macedonia welcomes the possibility for participation at the European Union Military Committee meetings, possibility gained after the acquisition of the candidate status. The Response that Republic of Macedonia is to submit upon the European Union Military Committee's invitation for declaring contribution to the European military capabilities is under preparation. Besides developing capabilities that are necessary for fulfilling the tasks within the frames of the European Security Strategy as well as the Headline Goal 2010, the Republic of Macedonia is determined to give its own contribution as part of the Appendix of the Force Catalogue of the Headline Goal. “

In accordance with the Law on Crisis Management (Official Gazette of the Republic of Macedonia No 29/05), the Republic of Macedonia established a national system for crisis management with intention of prevention, early warning and resolving crisis that represent risk over the goods, health and life of people and animals, and are caused by natural disasters and epidemics or other dangers that directly threat the Constitutional order and security of the Republic of Macedonia or a part of it, and for which there are no conditions for claiming state of war or state of emergency. Therefore, the Centre for Crises Management was established, which is competent for ensuring continuity in the inter-ministerial and international cooperation, consultations and coordination in crisis management, preparation and updating of the single evaluation of the risks and threats on the security of the country, as well as for proposing measures and activities for settlement of the crisis. The Centre commenced with its activities in October 2005, and the level of its full operation is to be achieved in June 2006.

3.31.2 INSTRUMENTS FOR IMPLEMENTATION OF THE CFSP (IMPLEMENTATION OF SANCTIONS AND RESTRICTIVE MEASURES)

Republic of Macedonia applies restrictive measures and sanctions introduced by EU to third countries on the basis of accepted EU Common Positions.

LEGAL FRAMEWORK

The enforcement of sanctions and restrictive measures is realised by the responsible ministries and institutions upon Decision of the Government of the Republic of Macedonia.

In order to establish a clear legal framework and to adjust the administrative capacities for the implementation of restrictive measures and sanctions pursuant to the EU standards, the Ministry of Foreign Affairs has initiated a procedure for adoption of the Law on International Restrictive Measures. The objective of this Law is to define the scope of the restrictive measures and sanctions, to regulate the procedure for their introduction, implementation, amendment and repeal, to identify the institutions responsible for the implementation of restrictive measures, surveillance over their implementation, to regulate the recording of data and exchange of information among the competent institutions, to provide for the obligation of filing reports to EU, UN etc. In the course of February, TAIEX expertise will be held regarding the draft text of the Law, which was also submitted to the line ministries for the purposes of obtaining their opinion.

INSTITUTIONAL FRAMEWORK

The Ministry of Foreign Affairs, Ministry of Interior, Ministry of Defence, Ministry of Finance (Customs Administration, Directorate for Prevention of Money Laundering), Ministry of Economy and other ministries, depending on the nature of the restrictive measures are responsible for the implementation of restrictive measures and economic sanctions.

The Ministry of Foreign Affairs, in consultation with other responsible authorities, prepares a Report to the Government of the Republic of Macedonia, with a Draft-decision, whereby the Government obligates the responsible authorities to undertake measures for the implementation of the decision. The Decisions are published in the *Official Gazette of the Republic of Macedonia*. In the meantime, by the time of adopting the decision by the Government, the execution of the international obligations as regards the enforcement of the sanctions is carried out on the basis of the operative communication by the Ministry of Foreign Affairs to the competent ministries.

II. SHORT-TERM PRIORITIES

1. Common Foreign and Security Policy and European Security and Defence Policy

The Republic of Macedonia shall continue to give its contribution to the promotion of the bilateral political dialogue with the EU and to actively participate in the multilateral political dialogue with the EU, within the framework of the Political Forum EU-West Balkans. It shall continue with the alignment /acceptance of the EU legal acts in the area of CFSP.

The Republic of Macedonia shall continue with its active engagement in the international organisations (UN, OSCE, Council of Europe and other), as the most efficient manner of protection of the world peace and security from the modern global threats (terrorism, organised crime, environmental pollution), as well as dealing with the economic and social problems and disrespect of the human rights.

LEGAL FRAMEWORK

The adoption of the Law on Foreign Affairs and the Law on Chemical Weapons is foreseen for the first half of 2006.

In compliance with the Law on Crisis Management, the adoption of the secondary legislation governing the implementation of the law is planned for the end of 2006.

The ratification of the Additional Protocol to the IAAE Agreement on Safeguards is foreseen for the end of 2006.

The accession to the other international instruments related to the fight against terrorism is envisaged to be completed by the end of 2007. More specifically, the Republic of Macedonia will sign the following conventions:

- Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation;
- Protocol for the Suppression of Unlawful Acts against Safety of Fixed Platforms Located on the Continental Shelf;
- Convention of CE concerning the Fight against Terrorism and Money Laundering.

INSTITUTIONAL FRAMEWORK

1. With the aim of successful cooperation with the EU-structures in the area of CFSP, the establishment of the necessary functions and mechanisms within the Ministry of Foreign Affairs is foreseen as follows:

- Further staffing and technical equipment of the Unit for Common Foreign and Security Policy with 3 officers in 2006 and 1 officer in 2007.
- Further staffing and technical equipment of the Unit for Control of the Armament with 2 officers in 2006 and 1 officer in 2007.
- procurement (from EU) and installation of a Certified Computer Unit for Access to the EU Network for Electronic Exchange of Classified CFSP information with the Candidate Countries (ACN) by the end of 2006;
- Establishment of the functions Political Director and European Correspondent by the end of 2007.

2. It is also provided for the Mission of the Republic of Macedonia in the European Communities in Brussels to be strengthened in terms of staff and technical equipment:

- In 2006 the Mission will be strengthened with 9 new persons- 1 diplomat, 5 sectoral experts, and 3 administrative-technical persons.
- In 2007 the Mission will be strengthened with 6 new persons- 1 diplomat, 4 sectoral experts, and 1 administrative-technical person.
- establishment of a Register of the Directorate for Protection of Classified Information by the end of 2006

- procurement (from EU) and installation of a Certified Computer Unit for Access to the EU Network for Electronic Exchange of Classified CFSP Information with the Candidate Countries (ACN) by the end of 2006

3. In the course of 2006, there is also a plan for strengthening of the Directorate for Protection of Classified Information with 26 new persons, out of which 22 persons will be transferred from other institutions, whereas 4 persons will be recruited pursuant to the special Governmental Programme for Employment of Persons from the Ethnic Communities. Further staffing of the Crisis Management Centre, from the current number of 217 persons to 326 persons, is foreseen to be completed in 2006. The strengthening of the CCM does not envisage additional funds from the budget, since they will be transferred from the Ministry of Defence and other institutions.

Instruments for implementation of the CFSP (implementation of sanctions and restrictive measures)

The establishment of a clear legal framework and the adjustment of the administrative capacities for the implementation of restrictive measures and sanctions according to the EU standards appear as a short-term priority

LEGAL FRAMEWORK

1. The Adoption of the Law on International Restrictive Measures is foreseen for the end of 2006.

INSTITUTIONAL FRAMEWORK

1. In order to adjust the administrative capacities for the implementation of restrictive measures and economic sanctions according to the EU standards, the draft Law on International Restrictive Measures determines the competent ministry for the implementation of each of the three types of restrictive measures: a) for arms and goods embargo - Ministry of Economy; b) for travel bans - Ministry of Interior; c) for financial restrictive measures - Ministry of Finance. To this end, according to the adopted legal solution, an assessment of the necessity for strengthening of the competent ministries in terms of staff and technical equipment will be carried out by the end of 2006.

2. The Ministry of Foreign Affairs, within the scope of its competencies, shall monitor the implementation of the Law on International Restrictive Measures. It is foreseen that one officer within the Unit for CFSP will be responsible for the execution of the activities related to this issue.

III. MEDIUM-TERM PRIORITIES

1. Common Foreign and Security Policy and European Security and Defence Policy

The Republic of Macedonia shall continue with its persistent and active participation in the political dialogue with the EU on a bilateral and multilateral level. A full compliance with the "EU Guiding Principles concerning the Arrangements between a State Party of the Rome Statute of the International Criminal Court and USA Regarding the Conditions to Surrender of Persons to the Court" of 30 September 2002, is envisaged as a medium term priority.

LEGAL FRAMEWORK

The priority activities will be determined by the development of the EU legal acts in the area of CFSP/ESDP.

INSTITUTIONAL FRAMEWORK

1. The need for the establishment of new institutions will be evaluated pursuant to the development of the EU legal acts in the area of CFSP/ESDP.

2. By the end of 2009, the necessary strengthening of the Ministry of Foreign Affairs in terms of staff and technical equipment will be completed as follows:

- further staffing and technical equipment of the Unit for Common Foreign and Security Policy with 1 officer in 2008
- Further staffing and technical equipment of the Unit for Control of the Armament with 1 officer in 2008 and 1 officer in 2009.

3. By the end of 2010, the necessary strengthening of the Mission of the Republic of Macedonia in the European Communities in Brussels in terms of staff and technical equipment will be completed as follows:

- In 2008, the Mission will be strengthened with 5 new persons - 4 sectoral experts, 1 administrative-technical person.
- In 2009, the Mission will be strengthened with 5 new persons - 1 diplomat and 4 sectoral experts.
- In 2010, the Mission will be strengthened with 5 new persons- 1 diplomat and 4 sectoral experts.
- Procurement (from EU) and installation of Certified Computer Unit for Access to the EU Network for Electronic Exchange of Classified CFSP Information with the Accessing countries (ACD-CORREU) in 2010.

2. Instruments for implementation of the CFSP (implementation of sanctions and restrictive measures)

The strengthening of the administrative capacities of the competent ministries for implementation of the Law on Restrictive Measures, pursuant to the evaluation which will be carried out by the end of 2006, appears as a medium-term priority.

INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget No	Institution	2006	2007	2008	2009	2010	Total
05002	Directorate for Protection of Classified Information	4	0	0	0	0	4
05002 Total		4	0	0	0	0	4
05004	Crisis Management Centre	0	0	0	0	0	0
05004 Total		0	0	0	0	0	0
08001	Ministry of Foreign Affairs	5	2	2	1	0	10
	Unit for Common Foreign and Security Policy (Sector for EU)	3	1	1	0	0	5
	Unit for Control of Armament (Sector for Multilateral Relations)	2	1	1	1	0	5
08001 Total		5	2	2	1	0	10
08001; 04009	Strengthening of the Mission of the Republic of Macedonia in Brussels	9	6	5	5	5	30
08001; 04009 Total		9	6	5	5	5	30
Total		18	8	7	6	5	44

3.32 FINANCIAL CONTROL

CURRENT SITUATION

Harmonization with the requirements of the *acquis* regarding financial control implies the necessity for a global approach towards the development of modern systems for internal audit in the public sector, which leads to consistent combination of the managerial responsibility and functionally independent internal audit. In this regard, activities for implementation of a coherent legislation is ongoing in the Ministry of Finance, to be conducted in the entire sector of internal control, covering all important aspects of managerial responsibility, independent internal audit, central harmonization of internal audit and financial management and control, as well as prevention of fraud.

Moreover, there are ongoing activities aimed at improving the operational and financial independence of the State Audit Office, as well as providing legal and functional framework for appropriate monitoring of its reports.

3.32.1 EXTERNAL (STATE) AUDIT

a) LEGAL FRAMEWORK

The function state audit in the Republic of Macedonia is regulated by the following legal acts:

- Law on State Audit (Official Gazette of the Republic of Macedonia N.73/2004) is the basic legal act that regulates the conditions and the manner of conducting state audit of the Budget of the Republic of Macedonia, budgets of local self-government units, budgets of funds (hereinafter: budgets), beneficiaries of budget funds, public enterprises, National Bank, legal entities in which the state appears as dominant shareholder, political parties financed with budget funds, agencies and other institutions established by law, other institutions financed by public funds, as well as beneficiaries of funds from the European Union and other international institutions. The Law on State Audit is harmonized with Directive 31984LQ253, in the part that refers to the conditions that authorized auditors need to fulfil.
- Rulebook on auditing standards for state audit (Official Gazette of the Republic of Macedonia N.56/98), which prescribes the auditory standards applied when conducting state audit. Auditory standards that are applied in conducting state audit in the Republic of Macedonia are the auditing standards of the International Organization of Supreme Auditory Institutions (INTOSAI), which are an integral part of this rulebook.
- Rulebook on the manner of taking an examination, form and contents of the certificate and the amount of costs for taking an examination and acquiring qualification ASA (Official Gazette of the Republic of Macedonia N.29/01);
- Rulebook on the form, contents and manner of issuing and withdrawing the official identification card of the authorized state auditor (Official Gazette of the Republic of Macedonia N.85/01);
- Examination programme on acquiring qualification in authorized state auditor published on the website of the State Audit Office;
- Code of ethics of INTOSAI – presented at the website of the State Audit Office, which defines the values and principles as professional obligations when conducting the work of auditors;
- Rulebook on State Audit – I Part: Financial Audit, presented at the website of the State Audit Office and published. The Rulebook develops the general approach of the State Audit Office when conducting financial audit of public entities, presenting the key issues of the methodological approach that need to be reviewed, analyzed and judged in relevant auditory standards and regulations.

The policy and guidelines for the future development of the state audit is determined in the following strategic documents: Strategy for Development and Activities of the Ministry of Finance in Period 2005-2009, and Strategy for Development of State Audit Office for Auditing in Period 2005-2009.

b) INSTITUTIONAL FRAMEWORK

The institution that is authorized to prepare the Law on State Audit is the Ministry of Finance, while the adoption of the Rulebook on Auditory Standards in State Audit is under the authority of the Minister for Finance.

Other bylaws and internal acts are adopted by the Chief State Auditor of the State Audit Office.

According to the Law on State Audit, the institution for implementation of the legal acts and realization of professional upgrading (training) is the State Audit Office. The work of the State Audit Office is determined by the Annual Working Programme adopted by the Chief State Auditor, which plans the number and types of entities that would be encompassed by the state audit, as well as the audit type.

Preparatory activities (components and dynamics) for realization of the Twinning Project with the Dutch Audit Court began in 2005 and will last until 2008, followed by the implementation of the training of state auditors for financial audit and performance audit.

SHORT-TERM PRIORITIES

LEGISLATION HARMONIZATION

For the purpose of harmonizing the national legislation with the one of the EU, the second quarter of 2006 envisages the adoption of a Law Amending the Law on State Audit aimed at further harmonization with the principles of the LIMA Declaration, as well as

reformulation and detailing of certain provisions in order to increase the efficiency of the state audit. There are ongoing preparations for adoption of the following bylaws:

- Code of Ethics of Auditors in Public Sector,
- Examination programme on acquiring qualification in authorized state auditor, thus ceasing the validity of the previous syllabus, along with updating of the syllabus components, the basic literature and legal regulative
- Amendments to the Rulebook on the manner of taking an examination, form and contents of the certificate and the amount of costs for taking an examination and acquiring qualification ASA (Official Gazette of the Republic of Macedonia N.29/01) that will prescribe the manner of taking an examination in compliance with the adopted Syllabus
- Amendments to the Rulebook on the issuing and withdrawing the official identification card. Amendments to the Tariffs of the State Audit Office, thus preparing new criteria for calculation of the fee for audits on the basis of prior practice,
- Rulebook on State Audit – II Part: Performance Audit, which will be published on the website of the State Audit Office and published,
- Plan for development of a document Management Information System in the State Audit Office, where information for the leadership and employees will be constantly updated and easily accessible in the required form and contents, and its implementation;
- Amendments to the act for organization and systematization of jobs at the State Audit Office,
- Plan for professional education of state auditors, preparation of a special document on the policy of human resources, draft-plan for implementation of an exam for an authorized state auditor – continually from 2006.

STRENGTHENING OF INSTITUTIONAL CAPACITIES FOR CONDUCTING THE FUNCTION OF STATE AUDIT

Amendments to the Rulebook of the Government of the Republic of Macedonia will be carried out in 2006, aimed at enhancing the obligations for realization of the recommendations from the State Audit Office. For that purpose, a person will be authorized to follow the realization of the recommendations from the reports of the State Audit Office.

At the same time, in order to strengthen the cooperation, a memorandum of cooperation will be signed between the Public Prosecutor's Office of the Republic of Macedonia, Ministry of Interior, the Public Attorney's Office of the Republic of Macedonia and the State Commission for Prevention of Corruption, as well as protocol for cooperation in the field of public internal financial control between the State Audit Office and the Ministry of Finance. In order to institutionally strengthen and realize the tasks of the State Audit Office, 36 new workers will be employed/overtaken in 2006.

MEDIUM-TERM PRIORITIES

LEGISLATION HARMONIZATION

In period 2008-2010, activities will be directed towards further harmonization of state audit with EU standards.

- Adoption of a new Law on State Audit, harmonized with the EU legislation, which will provide further strengthening of operational capacities, functional and financial independence of the State Audit Office, and professional development of the auditory personnel;
- Updating of the Rulebook on State Audit – I Part: Financial Audit and II Part: Performance Audit;
- Preparation of Technical Guidelines on conducting state audit, which will contain detailed forms, check lists, methodological guidelines etc, and its continual updating and presentation at the website of the State Audit Office;
- Preparation of a Cost Benefit Analysis for organization of regional offices of the State Audit Office, followed by preparation of a plan and programme for their organization on the basis of acquired results.

STRENGTHENING OF INSTITUTIONAL CAPACITIES FOR DEVELOPMENT OF STATE AUDIT

For the purpose of strengthening the operational and functional capacities of the State Audit Office, 14 new state auditors will be employed/overtaken in 2008, along with the continual training of employees in the State Audit Office in the part of: auditory tracing, performance audit, audit of IT systems, audit of EU funds, risk assessment etc.

FOREIGN ASSISTANCE

In order to improve the professional level and adoption of the best practices of supreme auditory institutions in EU, professional education of state auditors will be implemented in period 2006-2008 through a twinning project, which will be implemented by the State Audit Office in cooperation with the Dutch Audit Court as technical assistance.

The twinning project will be realized through the following components: legal framework, organizational and administrative capacities, strengthening of auditory skills and audit of information systems. Cooperation for education will also be initiated with other foreign supreme auditory institutions, among which VRI of the United Kingdom. The value of the entire project will amount at Euro 931,812.

3.32.2 INTERNAL AUDIT

A) LEGAL FRAMEWORK

Internal audit in the public sector in the Republic of Macedonia is regulated with the following acts:

- Law on Internal Audit in the Public Sector (Official Gazette of the Republic of Macedonia, N.69/04), which regulates the system of internal audit based on the international standards for internal audit, goals, principles, organization, functioning and competences of internal audit of entities in the public sector in the Republic of Macedonia. The Law on Internal Audit in the Public Sector and bylaws are prepared in compliance with the Regulative 32002R1605 for financial regulation, which refers to the general budget of the European Communities.
- Rulebook on the basic elements of the guidelines for the operation, the charter, the annual plan and the programme for internal audit (Official Gazette of the Republic of Macedonia, N.38/2005), and
- Rulebook on the manner of conducting activities of internal audit (Official Gazette of the Republic of Macedonia, 72/03), which adopts international standards for professional conduct of internal audit, published by the US Institute for Internal Auditors.
- The Strategy for Development of Internal Audit in the Public Sector for period 2004-2006 was adopted in January 2004, which determined the guidelines for intensive development of function internal audit.
- According to the Strategy for Development of Internal Audit in the Public Sector for period 2004-2006, three stages have been determined for development of internal audit in the public sector:
 - **in the first stage**, establishment of Units for internal audit in 17 budget beneficiaries up to March 31, 2004, along with training of 23 internal auditors;
 - **in the second stage**, training of internal auditors in other budget beneficiaries, while their Units for internal audit to be established by the end of 2005 at the latest;
 - **in the third stage**, training of internal auditors in the units of local self-government, while their Units for internal audit to be established by March 31, 2006 at the latest.

B) INSTITUTIONAL FRAMEWORK

Internal audit in the public sector in the Republic of Macedonia began to develop in 2000, when the Central Internal Audit was established in the Ministry of Finance for the first time, as a Unit within the Treasury Sector. The activities of this Unit were regulated by the Law on Budgets, and by the Rulebook on the manner of conducting internal audit from November 2003, thus adopting the International Standards for professional conducting of internal audit of the Institute for Internal Auditors.

In April 2004, the Ministry of Finance prepared a new Rulebook on the organization and operation, according to which the Unit for Internal Audit grew into a Sector for Central Internal Audit encompassing two Units: Unit for Harmonization of Internal Audit and Unit for Internal Audit. The sector employs 10 people.

Existing institutions for implementation of the legal acts and realized professional upgrading (training):

In the first stage, i.e. until March 31 2004, Units for internal audit were set up in 17 budget beneficiaries from the central authority, while 23 internal auditors received training. This was realized with the assistance of project "Development Policy of the Republic of Macedonia in the Sector of Internal Audit and Training", which was financed by the Dutch grant and administered by the World Bank. The project also assisted in the preparation of the Law on Internal Audit in the Public Sector.

The second and third stages of the strategy are realized with the assistance of project "Technical Assistance to the Ministry of Finance for Development of Internal Audit", financed by the European Commission, managed by the European Agency for Reconstruction. The project was successfully completed in February 2006.

Of the planned 32 units for internal audit, 24 have been set up and have begun to conduct the function of internal audit at a central level. On the local level, out of the planned 42 municipalities exceeding 15,000 people, 18 units for internal audit have been set up. A total of 28 internal auditors have passed the initial and advanced training for internal audit, while 52 internal auditors have passed only the initial training. The appointment of internal auditors in budget beneficiaries, funds and EPS from the second and third stages is ongoing.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Development of the system of internal audit in the public sector in 2006 will be implemented through:

- Amendments to the Law on Internal Audit in the Public Sector in the part of: certifying and taking an examination for state internal auditors, additional mechanisms for providing of independence of internal auditors, as well as regulation of their status, upgrading and enhancement of civil servants and other harmonization with the standards and best practices from the EU regarding internal audit;
- Preparation of a Rulebook on acquiring qualification in state internal auditor, which will regulate: the basic elements of the syllabus for training of state internal auditors and the manner of taking the examination for acquiring the qualification in state internal auditor;
- Preparation of a Rulebook on the uniform regulation of the status and salaries of state internal auditors;

- Preparation of a Manual on Internal Audit and its presentation at the website of the Ministry of Finance;
- Preparation of a website of the Sector for Central Internal Audit within the official website of the Ministry of Finance;
- Adoption of charters for internal audit for all units for internal audit, in order to increase the quality of auditory activities.

INSTITUTIONAL FRAMEWORK

Strengthening of institutional capacities for development of public internal financial control in the Ministry of Finance will be conducted by way of turning the Sector for Central Internal Audit into a **Sector for Public Internal Financial Control** with four Units:

- Unit for Central Internal Audit – with 6 auditors;
- Unit for Harmonization of Internal Audit – with 3 executing officers;
- Unit for Harmonization of Financial Management and Control – with 3 executing officers; and
- Unit for Coordination of Fraud Prevention – with 2 executing officers.

The Unit for Harmonization of Internal Audit currently employs two executing officers, with one more executing officer planned for employment by the end of 2006, and additional increase of employees for 2 executing officers in 2007.

The Unit for Central Internal Audit currently employs five auditors, but one more executing officer – internal auditor for information technology audit – will be employed.

Strengthening of institutional capacities of units for internal audit in the public sector in 2006 will be conducted through the establishment of units for internal audit in institutions lacking those units, along with personnel equipping of existing units for internal audit.

For that purpose, 40 future internal auditors will be employed/ overtaken in institutions of central authority, along with the employment/overtaking of 20 prospective internal auditors in the local self-government units.

The units for internal audit **at a central level** in 2007 will be strengthened with 18 more internal auditors by way of new employment/overtaking.

A total of 20 internal auditors will be additionally employed/ overtaken in **local self-government** units in 2007.

Initial training of 40 internal auditors will be implemented in 2006.

FOREIGN ASSISTANCE

The EU funded project “Technical Assistance to the Ministry of Finance for Development of Internal Audit in the Public Sector” was successfully completed in February 2006.

For the need for training for internal auditors in the public sector for 2006, technical assistance was provided through the Holand trust fund.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

The central unit for harmonization of internal audit will, on a continual base, prepare and develop bylaws, methodologies and guidelines for functioning of internal audit, and will implement the Programme for Education of Internal Auditors.

INSTITUTIONAL FRAMEWORK

The number of employees in the Unit for harmonization of internal audit will increase for one executing officer IN 2008.

Personnel equipping of the units for internal audit on a central and local level, as well as continual training for internal auditors will continue in period 2008-2010.

FOREIGN ASSISTANCE

The Twining Project for Development of Public International Financial Control which is expected to start in January 2007 and end in December 2008 includes component for training for internal audit.

3.32.3 PUBLIC INTERNAL FINANCIAL CONTROL (PIFC)

CURRENT SITUATION

A) LEGAL FRAMEWORK

The legal framework that determines the manners and conditions of conducting public internal financial control in the Republic of Macedonia is regulated by the following legal acts:

1. Law on Budgets (Official Gazette of the Republic of Macedonia, N.64/05);
2. Law on Execution of Budget for a Certain Year;

3. Law on Organization and Operation of State Administrative Bodies (Official Gazette of the Republic of Macedonia, N.58/2000 and 44/02);
4. Law on Civil Servants (Official Gazette of the Republic of Macedonia, N.59/2000, 112/2000, 34/01, 103/01, 43/02, 98/02, 17/03, 40/03, 85/03, 17/04, 69/04 and 81/05);
5. Law on Accountancy of the Budgets and Budget Beneficiaries (Official Gazette of the Republic of Macedonia 61/02, 98/02 and 81/05);
6. Rulebook on accountancy of budgets and budget beneficiaries (Official Gazette of the Republic of Macedonia, 28/03);
7. Rulebook on organization and operation of Ministry of Finance N. 01-844/01 from 09.04.2004;
8. Guidelines on the manner of acting of beneficiaries and budget means beneficiaries in treasury operations (Official Gazette of the Republic of Macedonia, 10/04);
9. Guidelines on the manner of executing orders on decisions for forced payment that indebted the treasury account, i.e. the account of the debtor within the treasury account (Official Gazette of the Republic of Macedonia, 55/03);
10. Guidelines on keeping records of undertaken liabilities for payment to beneficiaries and beneficiaries of the Budget Means of the Republic of Macedonia (Official Gazette of the Republic of Macedonia, 70/02);
11. Guidelines on the form and contents of the forms for payment of beneficiaries and beneficiaries of the Budget of RM (Official Gazette of the Republic of Macedonia, 70/02);
12. Law on Internal Audit in the Public Sector (Official Gazette of the Republic of Macedonia, N.69/04);
13. Rulebook on the professional conducting of internal audit, according to which the Republic of Macedonia adopted the International Standards for Internal Audit of the Institute for Internal Auditors from USA (Official Gazette of the Republic of Macedonia, N.72/03);
14. Rulebook on the basic elements of the guidelines, the charter, the annual plan and the programme for internal audit of entities from the public sector (Official Gazette of the Republic of Macedonia, N.36/05).

The Sector for central internal audit within the Ministry of Finance has prepared a Draft-Strategy for Development of Public Internal Financial Control (PIFC) in the Republic of Macedonia, which was adopted by the Government of the Republic of Macedonia in February 2006. The Strategy determines the basic guidelines for establishment of a comprehensive system of financial controls and firm management with public funds⁷¹, regardless of their sources.

The strategy was prepared in cooperation with the project of the European Agency for Reconstruction titled "Technical Assistance to the Ministry of Finance for Development of Internal Audit in the Public Sector".

B) INSTITUTIONAL FRAMEWORK

Several institutions and bodies of the state administration in the Republic of Macedonia (Assembly of RM, Government of RM, State Audit Office, Ministry of Finance, other ministries and their inspection bodies) conduct components of the public internal financial control in accordance with the legal acts that regulate their operations.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Development of the system of public internal financial control in 2006 will be conducted through:

- implementation of a Strategy for development of public internal financial control (PIFC) in the Republic of Macedonia;
- adoption of a Law on Public Internal Financial Control;
- adoption of a Rulebook on the basic elements of financial management and control in the public sector; and
- adoption of a Rulebook on the standards of internal control.

In 2007, for the purpose of harmonization of methods and techniques in the manner of conducting financial management and control, the Unit for Harmonization of Financial Management and Control will prepare:

- Technical guidelines on the manner of establishing and conducting financial management and control.

INSTITUTIONAL FRAMEWORK

In 2006, the Sector for Central Internal Audit in the Ministry of Finance will be renamed into a **Sector for Public Internal Financial Control**, which will include a Unit for Harmonization of Financial Management and Control with 3 executing officers. The Unit will be responsible for creation of methodologies and standards, and will also take care for the development of procedures, guidelines and training on financial management and control. The Unit for Harmonization of Financial Management and Control, being the central unit for harmonization, will have to prepare a report to the Government of the Republic of Macedonia once a year on the necessary and required measures for further development of the PIFC system.

⁷¹ Strong Financial Management

In 2007, a Unit for Coordination in Prevention of Frauds will be set up in the Sector for Public Internal Financial Control, with 2 new executing officers.

In order to provide continuing professional development of civil servants that conduct functions of internal control, there is a necessity to undertake measures for increasing especially training capacities, upgrading of syllabus and materials for training, as well as individuals that conduct the training.

Starting from 2007, there will be a continual training encompassing 100 civil servants (state secretaries, secretaries, finance managers, accountants etc) on an annual level.

MEDIUM-TERM PRIORITIES

INSTITUTIONAL FRAMEWORK

Taking into account the increased competences and tasks of the Unit for Harmonization of Financial Management and Internal Controls, the number of employees in this Unit will be increased for 2 executing officers in 2008.

On the basis of guidelines provided from the Central Harmonization and Control Unit, state administration bodies and other entities from the public sector (especially those entities that will use EU funds), will develop procedures on the conducted business processes, and will establish internal controls on the basis on the risk assessment.

FOREIGN ASSISTANCE

Implementation of the Project for Development of Public International Financial Control within the 2007 CARDS Programme will begin in 2006 and will finish by the end of 2008. The project plans for the strengthening of the capacity of the Ministry of Finance for implementation of the system of financial management and control on a central and local level. The financial framework for implementation of the project amounts at Euro 1,2 million.

II PROTECTION OF EURO FROM COUNTERFEITING

A) LEGAL FRAMEWORK

The legal framework that regulates the system of protection of the Euro from counterfeiting in the Republic of Macedonia is comprised of the following acts:

- Criminal Code of the Republic of Macedonia (Official Gazette of the Republic of Macedonia, N. 37/96, 80/99, 4/02, 43/03, 19/04 and 81/05) in Chapter XX – Criminal Acts against Public Finances, Payment Operations and Economy, Article 268 – Money Counterfeiting;
- Law on Criminal Procedure (Official Gazette of the Republic of Macedonia, N. 15/97, 44/02, 74/04 and 15/05), in regard to international cooperation and mutual legal assistance in criminal matters;
- International Convention for the Suppression of Counterfeiting Currency from 1929 (League of Nations), which the Republic of Macedonia adopted in March 2005;
- Law on Internal Affairs (Official Gazette of, the Republic of Macedonia N.19/95, 15/97, 55/97, 38/92, 13/03 and 19/04).

Existing strategic documents that define the policy and guidelines for development of the system for protection of the Euro from counterfeiting:

- Strategy for reforms in the judicial system;
- Strategy for reforms in police;
- Action Plan for prevention of organized crime;
- Action Plan for implementation of the process of reforms in police.

B) INSTITUTIONAL FRAMEWORK

The competent institution for preparation of the legal framework on the status of counterfeiting Euros and other foreign currencies as a crime act, the Criminal Code of the Republic of Macedonia and the Law on Criminal Procedure, is the Ministry of Justice. The competent institution for preparation of the legal framework that regulates and implements the system of protection from counterfeiting of Euros, the Law on Police, is the Ministry of Interior.

In compliance with the Law on Internal Affairs (Official Gazette of the Republic of Macedonia, N.19/95, 15/97, 55/97, 38/92, 13/03 and 19/04) and the Draft Law on Police, which is in the final stage of adoption by the Assembly of the Republic of Macedonia, the Ministry of Interior is responsible for undertaking measures for prevention of the appearance of counterfeit banknotes of Euros and other foreign currencies with timely revealing and capturing of the counterfeit creators and all participants in their resale (perpetrators of crime act money counterfeiting) and their transfer through the Public Prosecutor's Office of the Republic of Macedonia to the courts.

In order to realize this task, a Unit on Cyber Crime and Counterfeits has been set up in the Department for Organized Crime – Sector for Financial Crime within the Ministry of Interior, which directly operates on prevention and revealing of counterfeiting of Euros and other foreign currencies. The Unit act on systematization envisages 6 posts, 4 of which have already been filled.

Besides this Unit, competent body for prevention of counterfeit money is the Unit for Evaluation of Disputable Documents within the Forensic Department, which operates on providing evidence for determination of a counterfeit of foreign banknotes and coins by conducting an appropriate technical analysis. According to the act for systematization, 5 posts are envisaged for this Unit, 4 of which have already been filled. For the purpose of achieving these objectives, the Unit has modern technical equipment and trained personnel.

Training of employees in the two departments has been continual for several years, with the participation at several expert meetings in the country and abroad, organized by experts and appropriate international institutions. Thus, the Units' employees took part at working meetings on topic "Combat against Euro Counterfeiting" in Vienna and Prague in 2005, in organization of the Stability Pact, financed by **OLAF** through programme **Pericles**. Such working meeting was also held in Rome in December 2005.

SHORT-TERM PRIORITIES

LEGAL FRAMEWORK

Upon entering into force of the Law on Police, the Minister for Interior will adopt the **Rulebook on the form and manner of keeping police records** in 2006, which will regulate in detail the procedures for conducting a Register of revealed money counterfeits, as well as a Sub-register for Euro counterfeits.

INSTITUTIONAL FRAMEWORK

Institutional strengthening of the combat against Euro counterfeiting in 2006 will be conducted with the filling of vacancies in the Unit for Evaluation of Disputable Documents, by the undertaking of 3 workers, who will be appropriately trained.

MEDIUM-TERM PRIORITIES

LEGAL FRAMEWORK

In period 2007-2010, emphasis will be given to the preparation of guidelines, manuals, written procedures, forms and information support for the purpose of improving the effectiveness in prevention of counterfeiting Euros and other foreign currencies.

FOREIGN ASSISTANCE

For the purpose of improving the effectiveness in the prevention of counterfeiting Euros and other foreign currencies, an appropriate Project for development of information support in this sector will be initiated through programme **Pericles** in 2007, along with appropriate training. The financial framework for the project's implementation amounts at Euro 97,895.

Training of resident and new employees will be conducted according to the programme prepared and realized with OLAF and other international institutions in this sector.

INSTITUTIONS

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total
02002	State Audit Office	10	20	20	0	0	50
02002 Total		10	20	20	0	0	50
09001	Ministry of Finance – Central Internal Audit (PIFC)	3	2	2	0	0	7
	Ministry of Finance – Central Internal Auditing Department	5	4	3	0	0	12
09001 Total		8	6	5	0	0	19
09002	Ministry of Finance(Government functions)						
09002	Central Internal Audit Department/ Central Institutions (*transfer to the budget of each central institution)	40	18	0	0	0	58
09002	Central Internal Audit department/ Units for Internal audit on local level (** to be presented in the LSGs budget)	20	20	0	0	0	40
09002 Total		60	38	0	0	0	98
Total		78	64	25	0	0	167

3.33 FINANCIAL AND BUDGETARY PROVISIONS

CURRENT SITUATION

a) LEGAL FRAMEWORK

Financial and budgetary provisions in the Republic of Macedonia are regulated by the following legal acts:

- **Law on Budgets** ("Official Gazette of RM", N.64/05) Form NPPA-1 implies the decisions (2) and regulatives (9) that the Law on Budgets is harmonized with
- **Law on Executing the Budget for a certain year** This law is accompanying and regulates the execution of the budget, and should be harmonized in full with the Law on Budgets
- **Law on Organization and Work of State Administration Bodies** ("Official Gazette of RM", N.58/2000 and 44/02);
- **Law on Civil Servants** ("Official Gazette of RM", N.59/2000, 112/2000, 34/01, 103/01, 43/02, 98/02, 17/03, 40/03, 85/03, 17/04, 69/04 and 81/05);
- **Law on Accounting of Budgets and Budget Beneficiaries** ("Official Gazette of RM", 61/02, 98/02 and 81/05); this law with certain provisions has been harmonized with the accounting standards on the cash basis. After the full harmonization with the standards, the law should cease to apply.
- **Rulebook on accounting for budgets and budget beneficiaries** ("Official Gazette of RM", 28/03);
- **Rulebook on organization and work of the Ministry of Finance** N. 01-8440/1 from 09.04.2004;
- **Guidelines on the manner of procedure of all beneficiaries of budget funds in treasury activities** ("Official Gazette of RM", 10/04);
- **Guidelines on the manner of executing orders on decisions for forced payment that indebt the treasury account, i.e. the account of the debtor within the treasury account** ("Official Gazette of RM", 10/04);
- **Guidelines on keeping records on undertaken obligations of fund beneficiaries from the Budget of the Republic of Macedonia** ("Official Gazette of RM", 55/03 and 41/05);
- **Guidelines on the form and content of forms for payment of beneficiaries of the Budget of RM** ("Official Gazette of RM", 70/02);
- **Law on Internal Audit in the Public Sector** ("Official Gazette of RM", N.69/04); In regard to the harmonization of this law, explanations have been provided in the part that refers to financial control
- **Public Debt Law** ("Official Gazette of RM", 62/05)

STRATEGIC DOCUMENTS

The Ministry of Finance prepares the Fiscal Strategy (three-year) of the Republic of Macedonia, which provides the basis for defining of the general economic policies of the Government of the Republic of Macedonia, through determination of the guidelines of the macroeconomic and fiscal policy, financial management and control of budget funds of the general Government Budget.

The Fiscal Strategy of the Republic of Macedonia for period 2006-2008 defines: the macroeconomic framework for the current year and projections of the basic indicators up to 2008, realization of the revenues and expenditures of the general Government Budget in the current year and the preliminary projections up to 2008, as well as assumptions and risks that determine the mid-term projections and policies of the Government for the upcoming years.

The establishment and enhancement of the Strategic Planning among budget beneficiaries will represent a significant input in the preparation of this strategic development document of the Government.

b) INSTITUTIONAL FRAMEWORK

The Minister of Finance is accountable for the preparation of the Budget of the Republic of Macedonia and its delivery to the Government of the Republic of Macedonia.

The Budget of the Republic of Macedonia and municipal budgets refer to a period of one fiscal year, i.e. 12 months, starting from January 1, and ending on December 31.

The basics for preparation of budgets are the strategic priorities of the Government of the Republic of Macedonia, the Fiscal Strategy, 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 basic budget, budget revenues of self-financed activities, budget revenues of donations, budget revenues of loans, and revenues and other budget income of funds and municipalities.

The budgets contain the approved means by budget users and determined purposes that refer to the financing of current, capital and other expenditures of the budget users and the individual budget users for execution of activities presented through programmes and sub-programmes.

The basics for preparation of budgets are the strategic priorities of the Government of the Republic of Macedonia, the Fiscal Strategy, draft-strategic plans of budget beneficiaries and budgetary policy, as well as municipal priorities.

Budget beneficiaries must not undertake obligations or create expenditures exceeding the approved means of the Budget of the Republic of Macedonia and the municipal budget.

Validity of unused approved budget funds ceases on December 31 of the current fiscal year.

The budgets also determine the long-term spending rights in the upcoming fiscal years.

The amount of necessary means for the long-term spending rights is determined on the basis of the undertaken obligations by way of concluded agreements, undertaken liabilities on the basis of co-financing, agreements for indebtedness, decisions on emissions of state securities, as well as obligations in regard to the acquired membership of the Republic of Macedonia in international financial institutions.

The criteria, manner, conditions, limitations and procedure for indebtedting are determined in compliance with the Law on Public Debt.

The Ministry of Finance is authorised to manage the funds acquired from the Budget of the European Union, in compliance with provisions and regulations of the European Union for financing and contracting.

According to the Law on Budgets, budget beneficiaries are first-line beneficiaries from the sectors of legislative, executive and judicial authorities, funds, municipal budget beneficiaries, and beneficiaries established by law that conduct public competences;

In line of implementing laws and procedures prescribed by the European Commission for realization of programmes and projects that the European Union allocates to the Republic of Macedonia, two new units for development of the financial management system were established in the course of 2005:

1. Central Financing and Contracting Unit (CFCU), with 4 employees. This newly established unit within the Ministry of Finance will be competent for planning, tendering, contracting, payments, accounting and financial aspects of reporting to the European Commission related to the realization of programmes financed by the pre-accession funds ("IPA – Instrument for Pre-Accession") of the Union.
2. National Fund (NF) – (or Unit for EU Funds Management) - with 2 employees, through which the pre-accession EU funds will be directed in the partner-country, and whose competency is to provide a firm financial control (ex-post control over the realization of financial agreements concluded in institutions competent for the projects, and financed by the European Union).

SHORT TERM PRIORITIES

The required legislation for harmonization and development of the financial management system of EU funds will be adopted in the course of 2005.

In order to detail the scope of competencies and activities of the two units competent for management of EU funds, a Rulebook on Implementation of EU Programmes is to be prepared, referring to the set up of the national structures for decentralized management of EU programmes, as well as Guidelines on EU financed management programmes that would regulate the set up of national structures for decentralized management of EU programmes.

In the framework of activities aimed at full harmonization and development of the financial management system, the draft-amendments to the Law on Budgets are planned for adoption in October 2007.

MEDIUM TERM PRIORITIES

The necessity for adoption of amendments to the existing legislation aimed at full harmonization and development of financial management system will be assessed in the period 2008-2010.

The development of the strategic planning capacities of budget beneficiaries is of essential significance. Long-term policies of Government sectors quantified in strategic plans guaranty their continual and sustainable development for the purpose of fulfilling the set objectives.

Budget reforms, financial management and control must undoubtedly be accompanied by appropriate improvements of the existing information system on budgetary and treasury work.

INSTITUTIONS

There is a necessity for development of the required capacity of the newly established units within the Ministry of Finance for management of European Union funds. For that purpose, new posts have been envisaged in the two units according to the following dynamics:

INSTITUTION BUILDING REQUIREMENTS							
Budget number	Institution	2006	2007	2008	2009	2010	Total
09001	Ministry of Finance – Sector for Budget and Funds	12	4	4	4	4	28
09001 Total		12	4	4	4	4	28
Total		12	4	4	4	4	28

FOREIGN ASSISTANCE

On the short-term, funds from the CARDS 2005 programme in amount of Euro 2,3 million will be used for strengthening of the capacities of the newly established two units, part of which for preparation of an analysis of the current state of the newly established structures for EU funds management according to EU regulations, while part will be intended for trainings of all relevant participants in the decentralized system of EU funds management, part for the IPARD Agency, part for preparation of clear guidelines for efficient use of EU funds, and technical aid as daily support to the two units competent for EU funds management.

On the mid-term, there are envisaged funds within programme CARDS 2006 in amount of Euro 1,5 million for further strengthening of the capacities and providing of technical assistance to the two units and other participants in the EU funds management process

4 ADMINISTRATIVE CAPACITY FOR THE IMPLEMENTATION OF THE ACQUIS

CURRENT SITUATION

The Republic of Macedonia has assumed a restrictive concept for the civil service, so that there is a clear distinction between the terms civil and public servant. Persons who carry out duties related to the state service and who are employed in the legislative, executive and the judicial branches, as well as in the state administration, other state bodies and municipal administration, are referred to as civil servants. The persons employed in services of public interest (education and science, health, social care, and culture) are referred to as public servants.

The Law on Organisation and Operation of the State Administrative Bodies ("Official Gazette of the Republic of Macedonia, number 58/00, 44/02, 55/05) regulates the organisational structure and the competencies of the state administrative bodies. A total of 14 ministries with 45 administrative bodies within ministries are established according to the Law, 13 of which have the capacity of a legal entity, 5 are autonomous state administrative bodies and 3 are administrative organisations.

The Law on the Government of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia, number 59/00, 12/03, 55/05) regulates the organisational structure and the manner in which the functions and competencies of the Government of the Republic of Macedonia are carried out. Subsequent to the amendments of the Law in 2003, the competencies of the Legislative Secretariat were additionally specified, and relate to ensuring consistency of the legal system as well as providing expert opinions for harmonising law proposals and other regulation with the Constitution of the Republic of Macedonia, with the legislation of the EU and other international agreements that have been ratified in accordance with the Constitution of the Republic of Macedonia, as well as providing expert opinions in concurrence with municipal regulations at the request of the Ministry of Local Self-government. According to the amendments of the Law on the Government in 2005, the position and functioning of the General Secretariat as an expert service of the Government of the Republic of Macedonia (which previously was regulated by a governmental decision) has changed.

Within the framework of the reform of the General Secretariat in 2004 based on the Strategic Plan for Development of the General Secretariat from 2002 and the new Rulebook for internal organisation of the General Secretariat, the General Secretariat of the Government was established as a professional and expert service of the Government of the Republic of Macedonia, with new organisational structure which introduced the Sector for Policy Analysis and Coordination within which the Unit for Public Administration Reform and the Unit for Cooperation with Non-Governmental Organisations were introduced along with the Sector for Strategy, Planning and Monitoring and the Sector for implementation of the Framework Agreement responsible for undertaking expert functions related to the realisation and implementation of the Framework Agreement, and for ensuring the equitable representation of the members of the communities in the state administrative and the public administration bodies. In 2005 based on the Rulebook on amending the new Rulebook for internal organisation of the General Secretariat as a professional and expert service of the Government of the Republic of Macedonia, the Sector for Economic System, Current and Development Policies was established.

According to the amendments of the Law on the Government in 2005, the Secretariat for European Affairs was established and is responsible for coordination of the issues related to European integration; as an autonomous service of the Government with the capacity of a legal entity, presided by the Deputy President of the Government responsible for European affairs.

During the preceding period, the Government has adopted a number of acts⁷² with the aim of creating legal presumptions as well as institutional and tangible conditions directed towards the realisation of the public administration reform.

In order to establish a legal framework for the functioning of the new civil service system and to realise the objectives of the state administration reform, the Law on Civil Servants ("Official Gazette of the Republic of Macedonia", number 59/00, 112/00, 34/01, 103/01, 43/02, 98/02, 17/03, 40/03, 85/03, 17/04, 69/04, 81/05) was adopted in July 2000. The Law introduced the term civil servant, and regulates the status, rights, duties and responsibilities of civil servants, as well as the salary and salary contributions system and the competencies of the Civil Servants Agency, as an autonomous state body, whose accountability lies before the Assembly of the

⁷² Guidelines for identifying categories of questions in the laws, which can be transferred from the Government to the ministries and the other state administrative bodies ; Instructions for cooperation between the state administrative bodies, public institutions and other legal entities that obtain state capital and the State Commission for Prevention of Corruption ("Official Gazette of the Republic of Macedonia", number 81/2004); Decision for the strategic priorities of the Government of the Republic of Macedonia for 2004, dated on 09.06.2003; Decision for determining the strategic priorities of the Government of the Republic of Macedonia for 2005, dated 06.09.2004; Decision for determining the strategic priorities of the Government of the Republic of Macedonia for 2006 ("Official Gazette of the Republic of Macedonia", number 21/05); Decision on the Methodology for strategic planning and preparation of the annual programme of the Government of the Republic of Macedonia, Decision to establish the Office of the President of the Government ("Official Gazette of the Republic of Macedonia", number 9/03)

Republic of Macedonia. The Law encompasses the strategic principles for professional, efficient, accountable, politically neutral and service oriented civil service.

In the five year period of enforcement, the Law has been subjected to several amendments, and the latest September 2005 amendments allowed for the strengthening of the consistent implementation of the established principles and standards regarding the selection and employment; the accountability and assessment of civil servants; the alleviation of horizontal mobility; the collection of data on civil servants, processing and entering the data in the Civil Servants Register and the diminishment of discretionary rights of officials. Moreover, the amendments of the Law on Civil Servants are directed towards support of the changes that resulted as a consequence to the decentralisation process, i.e. to the municipal administration.

The payment and salary contribution system for civil servants entered partially into force in April 2004, (only the basic salary component, not including the career salary supplement), and its full implementation will commence on April 1, 2006. The implementation of the salary system, i.e. its basic component, will take place over a two-year period, during which the amounts of current salaries will be gradually harmonised with those of civil servants, calculated in accordance with the Law.

In order to account for the principles of the functioning of the public administration, the Code of Ethics for Civil Servants ("Official Gazette of the Republic of Macedonia, number 9/01 and 16/04), defines the ethical standards which regulate the code of conduct and performance of civil servants, and ensure the adherence to the principles of legality, professional integrity and efficiency at the work place. During the course of 2005, the Agency distributed some 11.695 brochures of the Code of Ethics for Civil Servants.

The public administration reform was conceptualised in the Strategy for Public Administration Reform, adopted by the Government of the Republic of Macedonia in 1999. This document determines the following reform principles: rule of law, transparency, competency, stability, accountability, projection, equal treatment, efficiency and ethics. The objectives regulated in the Strategy for Public Administration Reform of 1999 are valid and fully compatible with the goals of the European integration process, the additional priorities as imposed by the implementation of Constitutional provisions that arise from the Framework Agreement with respect to the equitable representation of the members of the communities and with the decentralisation process.

The public administration reform as a whole and its adaptability to the accession in the EU are two complementary processes that demand an integrated strategic approach for their realisation. The experience thus far from the integration of the new member states in the EU shows that public administration reform is among the critical activities that significantly influence the process, dynamic and success of adjusting of the applicant country towards the EU. The establishment of a public administration that will be capable of carrying out the burden of integration into the EU, as well as the obligations that arise from membership, is a top priority that establishes a horizontal link between all sector reforms in the process of European integration and it is an essential factor for their success. The basic goals of the public administration reform in the framework of EU integration are as follows: adjustment and development of public administration in the Republic of Macedonia for the purpose of the continuous process of transposition and implementation of the European legislation; developing relevant capacities of the public administration to design and implement the overall reforms of the economic, political and legal system; and building institutions that are necessary to ensure the free movement of goods, capital, services and people in the EU.

The Government of the Republic of Macedonia, particularly during the last several years, strengthened the activities directed towards a comprehensive reform that resulted with the development of the mechanism for coordination of the public administration reform. The newly created mechanism signifies the political commitment of the Government towards the reform process and consists of the President of the Government of the Republic of Macedonia and the Government of the Republic of Macedonia (competent for the strategic management of the process of public administration reform), Collegium of State Secretaries (General Collegium), the Secretary General of the Government and the General Secretariat (as expert structures for coordination of the process of public administration reform).

In accordance with the Rules of Procedure of the Government ("Official Gazette of the Republic of Macedonia, number 38/01, 98/02, 9/03, 47/03, 64/03, 67/03), a set of new procedures have been introduced which contribute to a higher efficiency and coordination of the decision-making system. The system for determining the strategic objectives of the Government was also developed and determined along with the manner in which they will relate to the budget and transfer into the Annual Work Programme of the Government. In addition, mechanisms for monitoring the Annual Work Programme of the Government and the Government's Conclusions were developed

A functional analysis was undertaken in all line ministries and in several state administrative bodies, which served as basis for the preparation of the strategic plans of the ministries. The strategic planning process and the mechanisms for policy coordination are strengthened, as well. According to the Law on Budgets ("Official Gazette of the Republic of Macedonia, number 64/2005) the budget beneficiaries are obliged to prepare a three year strategic plan, containing the programme and activities necessary for the realisation of the strategic priorities of the Government along with the objectives and priorities of the budget beneficiary for the designated period.

Within the framework of advancing the strategic planning process, the ministries prepared their strategic plans for the 2006-2008 period and published them on their web sites.

In terms of policy analysis and coordination, the mechanisms for policy analysis and coordination were established along with the development of the Methodology for policy analysis and coordination that identifies the key players and their responsibilities in the system of policy-making in the preceding period. The basic principles of policy-making in accordance with the methodology are as follows: harmonisation of the policies and acts with the strategic plans; fiscal feasibility of policies and acts; harmonisation of the policies and acts with the legislation of the EU; compatibility of the policies and acts with the previously executed analysis; transparency in the preparation phase of the policy and acts; planned implementation of the policies and acts and monitoring of the policy implementation.

One of the key objectives of public administration reform in the Republic of Macedonia is to develop the administration as an **efficient and transparent service** for the citizens, economic and other legal entities that will ensure **protection of citizens' rights and partnership with the civil and business sector**. The basic principles of the administrative actions directed towards the realisation of the rights are as follows: equality among the citizens, predictability in the work of the administration, participation of citizens, economic entities and all stakeholders involved in the policy-making of the Government, as one of the core values of the democratic society. In accordance with the Law on Organisation and Operation of the State Administrative Bodies, in the process of preparing of laws and other regulation within its competences, the state administrative bodies ensure consultations (public announcements of the regulation, public platforms) and seek opinions from citizens' organisations and other legal entity. Furthermore, the Law on the Government encourages participation of the citizens in the work of the Government. **The social dialogue** is realised through the Socio-Economic Council, which was formed subsequent to the Agreement between the Government of the Republic of Macedonia, the Syndicate Association of Macedonia and the Chamber of Commerce of Macedonia, which represent a tripartite body with an advisory and consultative function, comprised of representatives of the three social partners mentioned above. In terms of developing the **partnership with the civil sector**, the Law on Social Care was subject to amendments ("Official Gazette of the Republic of Macedonia, number 50/97, 16/00, 17/03, 65/04, 62/05, 111/05), which has provided an open possibility for civil organisations to be included in the system for social care. Due to the institutionalisation of the cooperation of the Government with the civil society representatives, a Unit for Cooperation with Non Governmental Organizations was formed in the Sector for Policy Analysis and Coordination which operates within the General Secretariat of the Government of the Republic of Macedonia. **The cooperation with the business community** is one of the basic competences of the newly established Sector for Economic Systems, Current and Development Policies, within the General Secretariat, responsible for enabling communication with the domestic and international business community, syndicates, non-governmental organisations and media in the process of realisation of the strategic priorities of the Government in the field of economy. Regarding the access to information of public character and strengthening the principle of **transparency**, the Law on Free Access to Information of Public Character ("Official Gazette of the Republic of Macedonia, number 6p.13/06) was adopted, and provides for a public approach and openness in the work of the holders of information, and enables physical and legal entities to realise their rights to free access to public information.

With the aim of improving the future transparency of the administration, within the framework of the Strategy for e-Government, an electronic system for communication of the state administration with the citizens and an online presentation with a web portal www.uslugi.gov.mk, which contains the services orientated towards the citizens and business entities, is established.

In order to ensure **protection of rights and freedoms of the citizens before state bodies**, legal conditions are developed with the aim of strengthening the role of the Ombudsman. The implementation of these acts will be reinforced with the establishment of mechanisms for accountability towards the procedures initiated by the Ombudsman, within the framework of the administration. Following the adoption of the Law on General Administrative Procedure ("Official Gazette of the Republic of Macedonia", number 38/05) the legal frameworks for the functioning of the administration when deciding upon the rights and interests of the citizens in the administrative procedure are determined, and thus protection of the participants from the obstinacy of the state administrative bodies is ensured in the procedure. This law should grant the citizens the status of consumers of the public sector services, in addition to the status of clients in the administrative procedure before the body where they realise their rights or legal interest. The Law on Administrative Inspection ("Official Gazette of the Republic of Macedonia number 69/04"), which corresponds with the provisions of the Constitution of the Republic of Macedonia defines the area and functioning of the administrative inspection in a more precise manner and at the same time, it harmonises the field with EU legislation where the administrative inspection controls the work and acts of public administration bodies that decide upon the rights and responsibilities of the consumers of their services. The provisions of the Law on Prevention of Corruption ("Official Gazette of the Republic of Macedonia", number 28/02, 46/04 and 83/04 – edited text) sanction the unlawful behaviour, that is a core element necessary for gaining and maintaining the trust of the public, in the impartial and unprejudiced work of the public sector employees.

Following the adoption of the Strategy for judicial reform and the Action Plan for its implementation, in November 2004, the Republic of Macedonia began the process of **reform in the judiciary**. The most crucial step in the realisation of the two key objectives of the Strategy, i.e. strengthening the independence and increasing the efficiency of the judiciary system, was undertaken in December 2005, following the adoption of the **Constitutional amendments**, which allow for systematic changes in the organisational structures of the

courts, the manner in which judges and the prosecution are selected and dismissed and simplifying the procedure for executing sanctions. In practice, the latter will contribute towards the elimination of influences in the selection of judges and the prosecutors, the immense burden imposed upon the courts with insignificant cases and it will allow for certain specialisation of the courts through the introduction of high courts.

Following the amendments of the Constitution of the Republic of Macedonia in 2001 and the introduction of the principle of **equitable representation of the members of the communities in public administration**, the increase of the percentage of representation is postulated as one of the key priorities in the public administration reform which at the same time is in accordance with the strategic priorities set by the Government of the Republic of Macedonia. In April 2003, additional measures aiming to improve the equitable representation of the communities in public administration were adopted, with regard to the following: strengthening translation and interpretation capacities, introducing bilingual employment posts, analysis of available employment posts in the administration and educational programme required for entry in the public administration and strengthening the field of communication with the public. After the introduction of the constitutional principle for equitable representation of the members of the communities in the Republic of Macedonia, significant progress in the improvement of the structure of the state administration is achieved. The level of representation of the members of the communities in public administration and public enterprises, on a local and central level has considerably improved. As of December 31, 2005, the structure of the state administration according to ethnic belonging is as follows: 84,88% of the employees are Macedonians, 10,81% are Albanians, 0,06% are of Turkish background, 0,32% are representatives of the Roma community, 0,80% of the employees are Vlachs, 1,53% are Serbs, 0,26% of the employees are Bosniacs and the remaining 0,44% are of other communities. The ethnic structure of the budget beneficiaries established on the same date is as follows: 55 070 (78,6%) are Macedonians, 11 290 (16,1%) are Albanians, 993 (1,4%) are of Turkish background, 326 (0,5%) are Vlachs, 1 135 (1,6%) are Serbs, 384 (0,5%) are representatives of the Roma community, 192 (0,3%) are Bosniacs and 0,9% are representatives of other communities. In this process of equitable representation of the communities in the public administration, it is particularly important to adhere to the principle of professionalism and competency of the future civil servants, i.e. to ensure harmonisation between the improvement of the quality of civil service and the improvement of the ethnic structure, which seems to be the main challenge in the development of the service during the following medium-term period.

Augmenting the competencies of the local self-government in the field of local economic development, rural and urban planning, local funding, environmental protection, public services, education and health protection in accordance with the Law on Local Self-Government ("Official Gazette of the Republic of Macedonia", number 5/02), indicates reform of the state role in the management of the decentralised sectors since the presence of accountable and professional local administrations is a key precondition in the decentralisation process as well as in ensuring high quality services for the citizens. The following are the key directions in the **reform of the local self-government administration**: strengthening the capacities for efficient execution of the competencies of the local self-government and introducing contemporary management methods that will provide efficient attainment of the citizens' rights and a more concentrated participation by the citizens in the management of local issues and in encouraging local development. The structure of the reforms as such is complemented with the specific needs derived from the integration of the Republic of Macedonia into the European Union, particularly in terms of regional development, preparation for the use of the EU structural funds as well as the realisation of cross-border cooperation within the framework of the cross-border programmes of the EU. The local self-government bodies are responsible for the organisational structures of the municipal administration. The administration in the local self-government units should be directed towards respecting the requirements and needs of economic entities, so that the redirection of the focus of the local self-government performance would be enabled solely through the implementation of a decentralised management system, strengthening the counseling function as well as the control of political results. According to the decisions from the Law on Civil Servants and the bylaws, the employees in the municipal administration have obtained the status of civil servants.

The administrative reforms in the field of **redefining the role of the state** were aiming to simplify the procedure for registration of business entities, to provide access to information for different types of business entities in the Central Register, to transform the enterprises with social capital through privatisation, to transfer part of the competencies in the field of education from the public to the private sector, to reform the energy sector and transform part of the health sector through privatisation of the primary health protection. The adoption of the Law on the One-Stop-Shop System and the Maintenance of the Trade Register and the Register of other Legal Entities ("Official Gazette of the Republic of Macedonia", number 84/05) undoubtedly counts among the most important legal reforms in the field of redefining the role of the state, which introduced the one-stop shop system according to which the registration of business entities is carried out in the Central Register instead of the registration in the courts, and the preparation of the Law on Public Enterprises ("Official Gazette of the Republic of Macedonia" number 38/96, 9/97, 6/02, 40/03) which clearly states the obligations for undertaking activities that are of public interest and which incorporates principles for financial transparency. The progress made in the field of redefining the role of the state enables a more efficient and effective state, through the transfer of certain functions from the public to the private sector, the introduction of market elements in the work of the public sector, a more efficient realisation of the regulatory function of the state and deconcentration of the state's competencies.

The objective of the reform in the field of **public finances** is to strengthen the planning, coordination and control mechanisms of the functions of the state in order to achieve more efficiency, effectiveness and accountability in the performance of the public service. A significant progress has been achieved in the previous period subject to the implementation of the reforms in this field, particularly

regarding the reform of the budget and the budgetary policy, the treasury system and the performance of the treasury, the public debt management system, the public procurement system and the internal audit system. The introduction of a central treasury system has enabled the realisation of the basic objectives of the treasury: legal and comprehensive budget execution; consolidation of public funds; funding of the policies approved by the Assembly; transparency and accountability of the public funds expenditure and their efficient management and comprehensive records and reporting of the state's financial position and promotion of the decision-making process. The reform in the field of public debt management was one of the most significant reforms in 2005. In July 2005 the Law on Public Debt ("Official Gazette of the Republic of Macedonia" number 62/05) determined the basic objectives of public debt management, as well as the activities which can be implemented by the Ministry of Finance in order to achieve a more efficient and effective public sector debt management, to establish the procedures and manners of indebtedness in the country and abroad, the purposes of public debt, the procedures for leasing, servicing and termination of state guarantees as well as the transparency of public debt. Following the adoption of the Law on Public Procurement ("Official Gazette of the Republic of Macedonia" number 19/04, 109/05) The Bureau for Public Procurement was formed which is responsible for the development of the public procurement system by providing legal basis, rationality, efficiency and transparency in the implementation of public procurement, and at the same time, the Bureau is responsible for encouraging competition and equality for tenders in the public procurement procedures. The internal audit function, as part of the public administration reform, was regulated with the Law on Budgets ("Official Gazette of the Republic of Macedonia" number 64/05). In January 2004, the Government of the Republic of Macedonia adopted the Strategy for internal audit development in the public sector for the period 2004-2006. The Strategy for public internal financial control (PIFC) in the Republic of Macedonia determines a comprehensive and effective system for public internal financial control, which provides for the commencement of a process of development of modern systems for internal control in the public sector, consistent combination of management accountability and functionally independent internal audit. The budget process reforms began with the implementation of budget programmes concept in order to provide for the Government and the Assembly of the Republic of Macedonia with comprehensive ground for decision-making based upon integrated information of the activities of governmental institution. The budgetary reforms continued with the additional development of budgetary programmes and with the introduction of sub-programmes as a reflection of the central activities undertaken by the budgetary users, introducing and reporting on the maximal amounts of approved funds using the budget circular letter to the persons presiding the functional areas. The budget reform also included the use of budget classifications as basis for identifying, monitoring and analysis of the imprested budget funds. The fiscal strategy as a development document of the Government of the Republic of Macedonia is prepared during a three year period and ensures the basis for defining the fiscal policy, the financial management and the control of budget funds and non-budget funds.

With respect to the development of an **information technology system**, a significant progress is recorded during the prior period with specifically executed activities: a Commission for Information Technology has been established within the Government of the Republic of Macedonia; a concept for development and achievement of e-Government has been adopted; a National Strategy for development of the information society has been adopted; the application of ICT technology has been intensified in the state administrative bodies; the Law on Electronic Communication ("Official Gazette of the Republic of Macedonia" number 13/05) was enforced and the Agency for Electronic Communication was established; a basic network was introduced, electronic mail and collaborative infrastructure, and configuration of the infrastructure; introduction of a Government intranet portal (G2G) and an internet portal of the Government (G2C/G2B).

Increasing the capacity of the administration and **strengthening the capacity for human resource management** is another central priority of the public administration reform. In December 2005, the Government reviewed the "Information on human resources in the state administration of the Republic of Macedonia – conditions, management, development and challenges" – and adopted the conclusions integrated in the Information intended to improve the quality of human resources in the state administration. The General Secretariat and Civil Servants Agency prepared an Action Plan for implementation of the conclusions and recommendations derived from the Information in order to specify the measures and activities that need to be undertaken and the conditions and risks that could result in the implementation process and to define a mechanism for monitoring the plan. On the one hand, the objective of the Action Plan for human resources is to strengthen the capacity of the ministries and other state administrative bodies, which will enable a strategic approach towards the development of human capacities in the Government as a whole. On the other hand, strengthening the capacity of the Civil Servants Agency is another objective of the Action Plan in order to provide a continuous and high quality implementation of its regulatory and coordinative functions in cooperation with the state administrative bodies. The Action Plan is structured through one general and three specific objectives. The general objective is to build an independent, professional and efficient civil service, while the specific objectives include building efficient and effective mechanisms for human resource development and management, building adequate capacities of the Civil Servant Agency for the realisation of the competencies related to the development and management of human resources as well as completing the implementation of the Law on Civil Servants.

The Law on Civil Servants established a framework in which the training system should be defined, adhering to the fundamental rules that it determines, i.e. the right and responsibility of every civil servant to training, based on annual programmes adopted by separate bodies and funded by the Budget of the Republic of Macedonia. The following are among the most significant examples of human resource investment: Strategy for Training of civil servants on the European integration process adopted by the Government of the Republic of Macedonia in 2000 and the two operative training plans which resulted from the Strategy (for the period 2001/2002 and 2003/2004); provisions in the Law on Court Budgets for allocating at least 2% of the court budget for training for judges, civil servants

and other employees in the courts, which serves as the first example of legislation which clearly and practically regulates the training issue and its funding; provisions from the Law on Public Procurement, which indicate programme planning and training realisation in this field as a necessary activity for the successful realisation of the Law, etc. In accordance with the Law on Civil Servants, the Civil Servants Agency is responsible for coordination of the activities which are related to professional development and training of civil servants, as well as promoting efficient and effective performance of the civil servants. Hence, the Civil Servants Agency adopted the "National system for training coordination and professional development of civil servants in the Republic of Macedonia" ("Official Gazette of the Republic of Macedonia number 91/05), which defines the fundamental postulates of the training policy. Aside from defining the coordinative mechanisms and instruments, a possibility is created for a better organised approach to undertaking the training policy and professional development of the civil service. Regarding the local administrations and the need for professional training, based on the signed Memorandum in 2003, the trilateral committee for training coordination on local level, comprised by representatives from ZELS, MLS and CSA, is preparing an assessment of the training needs for civil servants on a local level, as well as quarterly and annual training plans, and coordinates the training implemented by donors.

In accordance with the Law on Courts ("Official Gazette of the Republic of Macedonia number 36/95, 64/03), the judge holds the right and the responsibility to continuous professional development during the course of his/hers position as a judge. The Law on Court Budgets ("Official Gazette of the Republic of Macedonia" number 60/03) projects that at least 2% of the total amount of the funds available for the judiciary system should be allocated for professional development of judges, civil servants, court police and other employees in the courts. In the Republic of Macedonia, the education of judges is undertaken by the Centre for Continuing Education, which was formed in March 1999 within the framework of the Association of Judges of the Republic of Macedonia. The programme and activities of the Centre are directed towards increasing the competency, professionalism and ethical behaviour of those employed in the courts, towards the promotion and strengthening of the independence of the courts, gaining public confidence and respect in the judiciary system. In the Republic of Macedonia, the education for public prosecutors is carried out through the Association of Public Prosecutors. In January 2006, in order to meet the objective from the Strategy for reform of the judiciary system, i.e. to ensure presumptions for professional, conscious and independent execution of the function of the courts as well as to promote the continuous training for judges and prosecutors, the Law on Training Academy for Judges and Prosecutors ("Official Gazette of the Republic of Macedonia" number 13/06) was adopted. The Ministry of justice adopted the Programme for continuous education and training of the court police, with guidelines for the presidents of the courts aimed at the preparation of annual plans and the realisation of the Programme.

SHORT-TERM PRIORITIES

The following priority activities are related to the **strengthening of the capacity for human resource management**, and will be carried out during the forthcoming period by the state administrative bodies: complete implementation of the Law on Civil Servants and implementation of the employment and promotional procedures, in accordance with the Law on Civil Servants (2006/IV); supervising the implementation of the law (2006/II); implementation of the Action plan for human resources in the state administration of the Republic of Macedonia (2007/I); establishing organisational units for human resources and establishment of a network for cooperation and coordination of the organisational human resource units (2007/I); re-examining the acts for organisation and systematisation of employment posts in accordance with the prepared strategic plans and functional analysis (2007/I); endorsing the Decree for job descriptions and the Decree amending the Decree for the principles of the internal organisation of state administrative bodies (2007/I); re-examining the acts for organisation and systematisation of employment posts in accordance with the strategic plans and functional analysis (2006/IV); analysis of the assessment process of civil servants for 2004 and delivering the report to the CSA (2006/I); ensuring adequate software for personal records (adhering to the specifications of each organ), and applying the software in the state administrative bodies; implementing mechanisms for delegation of competencies of middle managing civil servants (2007/I); preparing the Programme for training and professional development of civil servants, along with an analysis of the necessary funds for the programmes implementation and delivery to the CSA (2006/IV); implementation of the National System for coordination of training and professional development of civil servants in the Republic of Macedonia, along with analysis of the necessary funds for its implementation (2006/IV); adoption of a five year training strategy (2006/I); implementation of training according to the Training Strategy (2006/I-2010/I); implementation of a Unit for training support for the civil servants in Skopje (2007/I);.

Within the framework of the reform in the judiciary system for 2006, a new institution will be formed responsible for training programmes for judges and prosecutors with the fundamental function of implementation of initial training of the candidates for the position of judges and prosecutors, as well as an organisation of continuous training, i.e. professional development. Following the establishment of the Academy, the influences and pressures in the process of selecting of judges and prosecutors will be largely eliminated, in order to adhere to the objective criteria for professionalism and moral and ethical qualities, thus enabling institutionalisation and increase of the level of their continuous training. The Training Centre is also planned to begin its regular activities, i.e. training of those employed in detention centres. More specifically, during the course of 2006, the implementation of an initial training for primary executors is planned as well as the implementation of initial training for the employees in the organisational unit for supervision of the work of notaries and executors. In 2007 and 2008, the implementation of a continuous training for the employees in the organisational structure in the Ministry of Justice is planned, which will control and supervise the work of the executors and notaries.

The Civil Servants Agency will draft a policy document on attracting and keeping young people and highly qualified staff in the state administration (2007/I); standardised description of employment posts in the human resource unit; guidelines for preparing the systematisation, emphasising the description of employment posts; implementing a network for cooperation and coordination of the human resource organisational units, and will undertake the necessary measures for strengthening its capacities.

The priority activities necessary for the implementation of the Medium-term strategic plan for **equitable representation of the communities in the public administration** (including the judiciary system) are as follows: adoption of the Strategy for equitable representation (2006/I); adoption of the Annual Programmes for equitable representation in the state administrative bodies and submitting the programmes to the CSA (2006/III); introducing mechanisms for improvement of equitable representation in the judiciary system (2006/II); implementing operational plans for the implementation of the strategy for the Roma community (2006/IV); implementing training programmes regarding the work in the public administration intended for the members of the communities; determining employment posts in the public administration system for which it is necessary to speak a language of the communities.

In order to **protect the rights of the citizens, provide transparency, ethics, efficiency and openness of the public administration**, the following activities are to be undertaken: strengthening the capacities and the resources for the implementation of the Law on Administrative Inspection (2006/IV); adopting a new Law on Associations of citizens and foundations (2006/IV); upgrading the web portal for services; upgrading the electronic exchange of information among the state administrative bodies; preparing a Strategy for cooperation with the non-governmental sector (2006/IV); devising and implementing a campaign for informing the public of their rights before the courts, in accordance with the changes implemented in the courts (2006/IV).

In order to increase the cooperation between the state bodies and the Ombudsman, the state administrative bodies are required to prepare reports to be submitted to the Government with regard to the recommendations made by the Ombudsman on a three months basis (2006/IV); it is also necessary to increase public awareness of the Ombudsman, as a potential mechanism which proceeds according to recommendations on possible corruption in the public administration (Recommendation V - GREKO) (2006/IV). Regarding the access to information of public character, it is necessary to adopt a number of bylaws to the Law on the Free Access to Information of Public Character (2006/III) as well as to ensure full implementation of the Law. The following is necessary to ensure that the citizens and the business communities have transparent and complete review of all government services: developing and publishing a comprehensive catalogue of all government services, along with key information of their responsibilities, organisational structures and key contact information, distributing the catalogue to the business community, local governments, non-governmental organisations, associations, the media etc, and publishing the information on the existing service portal www.uslugi.gov.mk; introducing a Messenger service for direct access to those who are responsible for every request submitted by the citizens; establishing a call centre for the citizens that do not have internet access; introducing information centres/ call centres in the ministries, the state administrative bodies and other institutions.

In order to achieve an **ethical public administration** the following measures need to be realised: ensuring an efficient implementation of the Code of Ethics of civil servants and implementing the procedures in accordance with the Law on Civil Servants (2006/IV); reviewing the existing rules and procedures and identifying possible improvements of the current system; developing a Code of Ethics for Ministers and other official representatives with the aim of promoting ethical standards; developing of handbooks, brochures, leaflets and other promotional material which will be used to promote the implementation of ethical standards throughout the administration; establishing a link between ethical behaviour and standards and procedures for the fight against corruption, introducing provisions in the codes of ethics for all public servants with the aim of reporting suspicions of corruption.

In order to develop **professional municipal administrations**, the future activities within the public administration reform should be directed towards the following: adopting and implementing rulebooks and other acts of the local self-governance units and in accordance with the Law on Civil Servants (2006/II); performing supervision over the implementation of the Law (2006/II); implementing training programmes as ordained by the Strategy for Training; implementation of recruitment, assessment, promotion and ethical procedures in order to develop an accountable and merit based local administration; introducing a function for human resource management in the larger municipalities. Concomitantly, it is necessary to introduce transparent and accountable local administrations and to strengthen the internal controls and audit in the management of decentralised funds. Therefore, it is necessary to strengthen the system for internal controls and audit (2006/III) and to form internal audit units in the local self-government units with population over 15000 inhabitants (42 units) (2006/III).

The priority activities in the field of **redefining the role of the state** will be directed towards strengthening of the regulatory function of the state through the simplification of the legislation, consistent implementation and harmonisation with the EU legislation; continuous introduction of market elements in the functioning of the public sector; simplification of the procedures and decreasing the duration of bankruptcy proceedings; reform in the judiciary system; concluding the privatisation process through the transformation of enterprises into social ownership and concluding the transformation in the field of health; implementation of an IT system in the institutions involved in the implementation of the one-stop shop system and a complete implementation of Law on the One-Stop-Shop System and the Maintenance of the Trade Register and the Register of other Legal Entities.

The activities that will be undertaken in the field of **public finance** in the forthcoming period encompass further budgetary reforms, financial management and control and further development of the current IT system for budgetary and treasury activities. Currently, the activities for introducing a decentralised system for the implementation of EU assistance are operational i.e. the introduction of the Unit for central financing and contracting within the Ministry of Finance and the formation of a Payment Agency within the framework of the Ministry of Agriculture, Forestry and Water Economy. In the forthcoming period procurement of an integrated software solution to support the treasury system is projected, which will enable direct connection of the budget users, the funds and the local self-government units to the treasury thus increasing the level of transparency in the expenditure of public funds. A new unit for management of EU funds will be formed within the Treasury Sector with the aim of utilising the EU pre-accession funds. Considering the Strategic Plan of the Sector for Central Internal Audit for the period 2006-2008, the activities are as follows: preparation of bylaws and continuing the course of activities aimed at the establishment of internal audit units in the public sector. The adoption of the Law on Public Internal Financial Control projects the transition of the Sector for Central Internal Audit to the Sector for Harmonisation of Internal Audit and Financial Management and Control including the establishment of five units within its framework.

In order to ensure further progress in the field of **information system development** as part of the public administration reform, the following activities are planned: The Agency for Electronic Communication is to adopt the remaining 12 bylaws of the Law on Electronic Communications, as well as the remaining 1 bylaws of the Law on Electronic Communications and two strategies that will be adopted by the Ministry of Transport and Communications (2006/I); implementation of the Law on Electronic Signature through the adoption of the necessary bylaws and providing the conditions for the implementation of the legislation for electronic signature (2006/IV); adopting a National policy for information and communication security and certificate for security of the ICT systems for classified information; standardisation of the documents and their unification; implementation of standard procedures. Furthermore, in line with the adoption of the Law on Information Society, the formation of the Agency for IT Society is projected for the following period, as a central institution that will be responsible for the realisation and the coordination of the projects underlined in the Action Plan of the Strategy for development of IT society. In terms of the realisation of the strategic measures integrated in the Strategy for development of IT society, the following period forecasts the formation of an Inter-ministerial Council and a National Council for IT Society. The following points summarise the measures and activities deemed as priorities in the field of the development of IT society: ensuring internet and e-mail access for all civil servants (2007/II); promoting the portal services (2006/IV); upgrading the collaboration and electronic exchange of information between the state administrative bodies (2006/II); development of a system for task management, decisions and information (2006/II); implementation of electronic sessions of the Government of the Republic of Macedonia (2006/II); etc.

MEDIUM-TERM PRIORITIES

The medium-term priorities of the public administration reform ought to respond to the strong pledge assumed by the Republic of Macedonia for the development of a professional, competent, efficient, accountable, civil and service orientated state administration that is managed by high ethical principles and enjoys the respect and confidence of both the citizens and the authorities. Therefore, the medium-term priorities will undoubtedly include the following: future development of the administration for the implementation of the Stabilisation and Association Agreement; promoting active participation by the civil society, where the social partners and the business community will be included in the decision-making process; continuous introduction of information technology in the public administration; systematic development of human resources in the public administration and implementation of training programmes as defined in the Strategy for Training; strengthening the financial management capacities of state bodies; concluding the decentralisation process and future implementation of the strategy for equitable representation of the communities in the public administration; further development and determination of the established strategic planning process in the ministries, recognising its introduction in stages by other state administrating bodies and local self-governance units and additional strengthening of the collaboration with the Ministry of Finance, due to the integration of the strategic planning process in the budgeting process; improving the capacity for policy analysis and coordination and for impact assessment of the proposing acts and the materials of the ministries; defining of the assessment indicators for monitoring the implementation of the already adopted acts, etc.

5 NATIONAL VERSION OF THE ACQUIS COMMUNAUTAIRE

1. CURRENT SITUATION

1.1 LEGAL FRAMEWORK

The European Union is unique among the world's international organisations in that it conducts its public business in the official languages of its Member States. Multilingualism has been an entrenched policy of the Union since the first day of its existence and is likely to remain so however many new Member States eventually join. Presently there are 21 equally authentic languages of the Treaties (including Irish) and 20 official and working languages. The European Union is the only international organisation that, in its areas of jurisdiction, enacts laws directly binding on its Member States and their citizens.

Fundamental principles concerning the use of languages in the European Union are laid down in:

- Council Regulation No 1 of 1958 (4 original official languages, new languages added with every Act concerning the conditions for accession);
- Articles 21, 290 and 314 of the Treaty Establishing the European Community;
- Article 53 of the Treaty on the European Union;
- Articles 58 and 61 of the Act concerning the conditions for accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic in the European Union and the adjustments to the Treaties on which the European Union is founded.
- Rules of Procedure of the EU institutions.
- Basic features of what is laid down in relation to the language:
 - the legislative and political documents adopted by the institutions are regularly translated into all official languages;
 - interpreting is available for all official meetings at the ministerial level and all meetings related to decision-making;
 - every Member of the European Parliament speaks in his mother tongue when being heard at the parliament sessions;
 - every citizen of the Union may write to any of the institutions or bodies of the EU in one of the 21 official languages of the Treaties and have an answer in the same language.

With each new accession, the whole body of European Community law applying at the time - the *acquis* - has to be translated into the new country's language in advance of accession, so that the citizens would know what they were committing themselves to. And from the very first day of membership there has to be full-time translators into and out of the new language in the European institutions, so that business could be carried on in exactly the same way as for the existing members.

In the pre-accession period, the Candidate Country's government, not the Union, is responsible for having the EU legislation currently in force translated into their language, and has to set up a special unit to do this. The translating and revising of the *acquis* is probably the only task in the entire accession operation that is exactly the same for every would-be Member State.

As the date of accession approaches, the responsibility shifts to the Commission and the Council, since they rather than the acceding Member States, are responsible for publishing the authenticated versions of the legislation in the new languages in the form of Special Editions of the Official Journal.

The translation of the EU and national legal acts should be understood as an integral part of the whole harmonisation and implementation process relating to the integration into the EU. It is essential that legal acts be translated in the very course of transposing them into national laws. On submitting a new national draft law (already aligned with the *acquis*) for adoption, a declaration on its compliance with the EU law must be enclosed, as well as the translation of the original EU act already revised by experts from line ministries concerned, linguists and lawyers. The translations of the Macedonian legal acts harmonised with the *acquis* should be available to the EU institutions in charge of monitoring the progress achieved in the approximation of the legislation.

1.1.2 STRATEGIC DOCUMENTS

The objectives and the function of the process for preparation of the Macedonian version of *acquis communautaire* are encompassed with the:

- Draft Strategic Plan on Preparation of the National Version of *Acquis Communautaire* and Translation of Macedonian Legislation, Secretariat for European Affairs;
- National Strategy for Integration of the Republic of Macedonia into the European Union 2004.

In detail, the objectives and the guidelines for preparation of the Macedonian version of *acquis communautaire* will be encompassed with the Strategic Plan Preparation of the National Version of *Acquis Communautaire* and Translation of Macedonian Legislation.

The process for preparation of the Macedonian version of *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
- Manual on Operation of Technical Committees

In the preparation phase are other manuals determining in detail the roles and functions of all participants in the process of preparation of the Macedonian version of *acquis communautaire*.

1.2 INSTITUTIONAL FRAMEWORK

In accordance with the Rulebook on Internal Organisation of the Secretariat for European Affairs, November 2005, the Sector for Preparation of the National Version of *Acquis Communautaire* is responsible for implementation of the process for preparation of the Macedonian version of *acquis communautaire*. Within the Sector for Preparation of the National Version of *Acquis Communautaire* are two units:

- Unit for Revision and Terminology responsible for determining the criteria for consistent translation of the EU legal acts, creating and 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 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 7 civil servants and 6 persons recruited on a contract basis.

The Sector for Preparation of the National Version of *Acquis Communautaire* strives towards achieving the following objectives in the execution of the responsibilities:

Preparation of a Macedonian version of *acquis communautaire* - one of the prerequisites for accession into the EU

While, after accession, the preparation of the national versions of EU legal acts to be published in the Official Journal of the EU is within the competence of the European Union, a country aspiring to become a part of this trans-national union is obliged to take care of preparing the whole *acquis* in its national language by the date of accession. The national version of the EU legal acts is not a mere informative translation, but a legally binding document in the national language and a *sine qua non* for the legislation harmonisation.

It is essential to bear in mind that the project of translating the *acquis* is primarily a **legal, expert and linguistic project** that should involve not only translators, but in the first place lawyers and experts engaged in the drafting of the national legislation and transposing of the *acquis* into the national laws; linguists are only one of the professions required to participate in this interdisciplinary project. Special attention should be paid to this project since it deals with complex management of knowledge and intellectual services; cooperation of diverse professions is crucial, which has to be established as soon as possible.

The *acquis* presently comprises about 100 000 pages of the Official Journal of the European Union (OJ pages). It is a »moving target«, constantly being amended, modified, multiplied - over 5 000 OJ pages are adopted per year.

The EU legislation is divided into two parts, the so-called primary and secondary legislation. The primary legislation consists of the Treaties establishing the European Communities and the European Union, and of the Accession Instruments relating to the past enlargements. The secondary legislation includes: regulations (directly applicable in EU Member States), directives (to be transposed to the national legislation), decisions, recommendations, opinions etc. The new Treaty establishing the Constitution for Europe provides for other types of legal acts, i.e. European laws (corresponding to the present regulations) and European framework laws (corresponding to the present directives), therefore, it is very difficult to foresee exactly what the *acquis communautaire* to be prepared by the present candidate countries by accession will consist of.

A special issue are the judgements of the Court of Justice the main bulk of which also need to be translated into the languages of candidate countries. The translation of these judgements is not required to be completed by the time of accession as other parts of the *acquis*, however, it is inevitable for the judiciary to function in the changed legal environment. As the experience from previous enlargement shows, it may take a few years after accession to fulfil this task, which includes 850 key judgements of the ECJ approximately 15 000 OJ pages of the Official Journal of the EU.

Translation of the Macedonian legislation

In addition to the said preparation of the national version of EU legal acts, the translation of national laws (mostly into English) should be planned at an early stage to enable the EU institutions to examine whether the laws were correctly aligned with the *acquis*.

This translation should be organised as systematically as the *acquis* project, in order to have a central evidence and database of translated Macedonian laws to be used by all interested parties to the integration process.

Complete support to the harmonisation and negotiation process

In the entire process of integration, various documents of legal or informative nature have to be translated either into the national language or into one of the EU languages. The Sector for Preparation of the National Version of *acquis* can contribute to a consistent use of terminology and phrasing as well as a source of accumulating know-how required in this area before and after accession.

The components of the integration process are the analyses (screening) as the initial step, approximation of the national legislation to the EU law, including transposition of the legal acts to the national legislation, monitored on the basis of tables of concordance, annual progress reports, and finally the negotiations for EU membership. All these components should be closely intertwined with regard to terminology and databases containing the lists of relevant legal acts in force. Since a large number of people are engaged in this complex process, it is impossible to ensure the required consistency and efficiency without centralised careful planning of the said databases.

Central databases

Software application - register for monitoring the translation process the purpose of which is centralised monitoring and management of the workflow of the translation process and the translated documents, as well as keeping record of all the financial aspects. The register will enable efficient monitoring of the translation process in all its stages and provide the interface with the existing legal databases thus linking harmonisation and translation processes.

Terminology, Translation Memories and Corpus of Translations

In order to achieve high quality translations it is necessary to use consistent terminology. For this reason a system for terminology management must be set up resulting in a widely accessible terminological database.

The main objective of the application of Computer Assisted Translation tools (CAT tools) is the consistency of translated texts. This objective may be achieved through translation memories (TMs) created by the application of special translation tools, such as Trados Translator's Workbench (TWB) and Wordfast.

The preparation of a bilingual parallel English-Macedonian corpus of translations published on the Web will be of interest to all included parties.

Human resources

Human resources are the crucial factor of success in the EU-integration process. Special attention should be paid to continuous training and creation of motivating environment for all involved civil servants. After accession, these highly specialised people will represent the basic pool for recruitment in the EU institutions.

All the European Union institutions have namely their own in-house translation departments. The Commission has the largest translation service, with some 1300 linguists and 600 support staff. The Council and the European Parliament come next, with about half that number of translators each, followed by the Court of Justice with around 250 translators. The Economic and Social Committee has 140 engaged translators, and the Court of Auditors and the Committee of the Regions employ about 60 each. There is also a separate organisation called the Translation Centre for the bodies of the European Union, which provides a service for all the decentralised agencies and other bodies that do not have their own in-house translators.

As for interpreters, there is a Joint Interpreting and Conference Service which works for the Commission, the Council and a number of the other institutions, using about 500 staff interpreters, while the European Parliament has some 250 interpreters of its own. Both of these services employ considerable numbers of freelancers in addition. The Court of Justice employs 40 interpreters with a specialised knowledge of legal affairs and its procedures.

The number of fully qualified translators needed by the EU institutions once the candidate country has joined the Union is estimated at about **200** per new language. The number of interpreters for each national language, needed after accession: **40 - 50** per language.

Over the last year or so of the accession process, the institutions also have to recruit legal revisers of the mother tongue concerned to carry out a final authentication of at least the most important legislative acts. This professional profile that is mostly new for all acceding countries is very important in the pre- and post-accession period.

The acceding countries are expected to be prepared in terms of qualified human resources to function in the multilingual organisation and to fulfil all requirements of the EU language regime, therefore, it is their obligation to take care of this issue in time.

The model for preparation of the national version of the *acquis* is based on the outsourcing model. To keep up the translation dynamics at least **40** highly qualified translators are needed.

To provide expert and legal revision, about **250 to 300** experts from the line ministries, universities, Secretariat for Legislation etc. need to be recruited. Some parts of *acquis* can be especially critical, such as agriculture, finances, environment, transport etc. since they are composed of a large number of legal acts.

However, the fundamental prerequisite for systematic organisation of the process of preparation of the national version of *acquis* and its continuity is a stable structure of the staff at the Sector for Preparation of the National Version of Acquis. A minimal core unit should employ all the necessary professions: head of the unit, legal revisers, translators-revisers, Macedonian language editors, terminologists, documentalists, and IT-experts (presently proposed 17 employees).

1.3 MAIN DIFFICULTIES

Lack of sufficient awareness on the multidisciplinary character of the process of preparation of the national version of *acquis* and the inclusion of a sufficient number of experts, lawyers and qualified translators may be a serious obstacle to the realisation of the process.

2. PLAN

2.1 SHORT-TERM PRIORITIES

2.2.1 LEGISLATION, STRATEGIC DOCUMENTS AND OTHER PRIORITIES

- Adoption of a Strategic Plan on Preparation of the National Version of Acquis Communautaire and Translation of Macedonian Legislation;
- Introduction of a Translation Register for monitoring the process of preparation of the national version of *acquis* communautaire which will provide precise records of the entire process.
- Procurement of appropriate IT equipment (improved infrastructure, purchase of servers);
- Improvement of the process for recruitment of outsourcing translators with the purpose of establishing a more stable structure of the outsourcing translators and building quality of the translators.
- Introduction of CAP tools for the entire staff and mandatory use with the purpose of accumulating terminology and translation memories;
- Elaboration of a training plan and its adoption by the Government of the Republic of Macedonia.
- Providing necessary consulting, organisation of seminars and workshops for all included participants in the process of preparation of the national version of *acquis*.
- Commencement of the project for translation of the primary legislation.
- Implementation of a procedure for employment of at least 6 persons in accordance with the Rulebook on Internal Organisation of the Secretariat for European Affairs;
- Setting up an improved system for expert and legal revision.

2. MEDIUM-TERM PRIORITIES

2.2.1 LEGISLATION, STRATEGIC DOCUMENTS AND OTHER PRIORITIES

- Creation of terminology in the field of the European Union and a Web corpus;
- Commencement of the Eurovoc project in cooperation with the Assembly of the Republic of Macedonia;
- Enforcement of the dynamics of translation and revision of the number of pages from the *acquis*, as well as increasing the number of revised documents attached to CCVista;
- Maintenance of the terminology database and translation memories;
- Commencement of an information campaign relating to the *acquis* project and language requirements arising from the EU integration;
- Employment of the necessary number of persons according to the Rulebook on Internal Organisation of the Secretariat for European Affairs;
- Systematic training of translators and interpreters, lawyer-linguists for the future work in the national translation departments of the EU institutions, in collaboration with the national university and EU institutions.

FOREIGN ASSISTANCE

The need for foreign aid is mostly required in the training of staff employed at the Sector for Preparation of the National Version of Acquis Communautaire, for the external translators and interpreters and the expert and legal revisers.

Within the Norwegian aid for the Republic of Macedonia in the field of European integration and the public administration reform, the project for preparation of a Translation Register for monitoring the translation process, which is now in a final phase, was commenced in 2005.

Also, within the Norwegian aid, the preparations for initiating a new project for terminology in the field of the European Union and a Corpus on the Web have commenced.